ASB General Disclosure Statement

ANNUAL REPORT 2005

ASB

For the year ended

30 June 2005

Contents

Consolidated Performance in Brief

For the year ended 30 June	**2005**	2004	2003	2002	2001
STATEMENT OF FINANCIAL PERFORMANCE ($ MILLIONS)					
Interest Income	**2,686.3**	2,098.7	1,899.3	1,500.7	1,473.9
Interest Expense	**1,905.6**	1,411.1	1,282.4	992.3	1,016.5
Net Interest Earnings	**780.7**	687.6	616.9	508.4	457.4
Other Income	**268.1**	249.2	233.9	215.3	187.2
Total Operating Income	**1,048.8**	936.8	850.8	723.7	644.6
Debt Provisions Expense	**15.8**	20.8	24.8	18.0	13.5
Total Operating Income after Debt Provisions Expense	**1,033.0**	916.0	826.0	705.7	631.1
Total Operating Expenses	**470.0**	446.4	407.2	371.0	351.0
Net Surplus before Taxation	**563.0**	469.6	418.8	334.7	280.1
Taxation	**180.2**	152.8	140.8	110.0	96.7
Net Surplus after Taxation	**382.8**	316.8	278.0	224.7	183.4
STATEMENT OF FINANCIAL POSITION ($ MILLIONS)					
Total Assets	**38,798.9**	33,047.7	27,537.9	24,249.6	20,021.7
Advances	**34,978.2**	28,788.8	22,297.4	19,031.9	16,173.5
General Provision	**123.3**	108.0	88.8	71.3	59.3
Specific Provisions	**8.7**	8.8	9.5	6.8	6.8
Total Liabilities	**36,527.7**	31,452.2	26,228.0	23,216.8	19,202.0
Deposits (includes Amounts Due to Other Banks)	**36,049.9**	30,832.0	25,620.5	22,680.4	18,762.8
SHAREHOLDER'S EQUITY ($ MILLIONS)					
Shareholder's Equity at End of Year	**2,271.2**	1,595.5	1,309.9	1,032.8	819.7
Dividends: Ordinary	**43.0**	25.0	195.0	10.0	150.0
Perpetual Preference	**16.1**	9.7	5.6	-	-
Non-Cumulative Preference	**-**	-	-	-	3.1
PERFORMANCE					
Return on Ordinary Shareholder's Equity	**23.53%**	24.51%	25.43%	24.26%	22.30%
Return on Total Average Assets	**1.07%**	1.05%	1.07%	1.02%	0.99%
Net Interest Margin / Total Average Assets	**2.17%**	2.27%	2.38%	2.30%	2.46%
Total Operating Expenses / Total Operating Income	**44.81%**	47.65%	47.86%	51.26%	54.45%
Growth in Total Assets	**17.40%**	20.01%	13.56%	21.12%	16.54%
PRUDENTIAL					
Shareholder's Equity as a percentage of Total Assets	**5.85%**	4.83%	4.76%	4.26%	4.09%
Tier One Capital expressed as a percentage of Total Risk Weighted Exposures	**9.68%**	8.22%	8.12%	7.41%	7.25%
Total Capital expressed as a percentage of Total Risk Weighted Exposures	**10.29%**	10.18%	10.26%	9.77%	10.07%

> Performance Overview

ASB CONTINUES 20% PLUS MARKET GROWTH

Business, Rural and Home Mortgage Lending All Reach Record Levels

Increasing preference for ASB as a business and rural banking partner, and continued leadership as a home mortgage lender, assisted the Bank to increase its after tax operating profit by 21% to $382.8 million for the 12 months ending 30 June 2005.

The year was one in which the Bank continued to increase business across a number of fronts, and the combined contribution has seen ASB grow at a rate faster than the market.

ASB increased its total advances during the year by 21% to stand at $35.0 billion by year end. Total assets at year end were up 17% at $38.8 billion.

In the past decade we have been increasing our focus on the business and rural markets while maintaining our stronghold on the home mortgage market, and the benefits of this strategy are flowing into our profit performance. While personal advances are up 19% and remain the cornerstone of our operations, the growth in commercial and business lending at 23% and rural lending at 22% were key drivers behind the Bank's overall growth and strong performance.

In addition, excellent contributions to profit came from our corporate, securities, wealth management and financial services operations.

ASB continues to fund a major portion of its operations from personal and business savings and investments, and total deposits at year end stood at $32.0 billion, up 21%. Personal banking funding was up 12%, business funding up 21% and rural funding up 39%.

The Bank's operating income at $1.049 billion exceeded $1 billion for the first time. Operating income was made up of net interest earnings of $781 million, up 14%, and other income of $268 million, up 8%.

The interest rate margin declined from 2.27% to 2.17%, while earnings from transactions and service fees were up 8.0%, a reflection of ASB's growing customer numbers.

Taxation expense was $180 million, up 18%, and debt provisions at year end stood at $132 million, up 13%.

Operating expenses for the year increased by 5% to $470 million although, as a result of process efficiencies, the Bank's total operating expenses ratio to total operating income improved to 44.81% from 47.65%.

Funds under management sold through the Bank channel reached $1.8 billion, an increase of 12% from 2004.

The mortgage price war between banks during the year saw ASB increase lending volumes and market share. It also accelerated the move by borrowers from floating mortgage rates to fixed lending rates, particularly the two-year term.

ASB's experience is that home mortgage borrowers appreciate that cost of interest over the life of the loan, flexibility to make modifications as their circumstances change, and customer service are more important to them than the headline interest rate.

Among initiatives undertaken by ASB during the year were the introduction of:

- The country's first two factor authentification for Internet banking – Netcode;
- An Internet based savings account - Fastsaver. In recognition of the cost efficiency of the service, this account pays a higher rate of interest on all balances. At year end, funds in the account stood at close to $2 billion;
- A telephone service which provides financial information and advice to the blind and visually impaired;
- New leading edge branches featuring interactive facilities such as Internet kiosks, fast deposit areas, money changing machines and central runways linking all areas; and
- New Zealand's largest preference share offer, which raised $350 million. Proceeds will be used to fund ongoing growth.

The University of Auckland's Residential Bank Customer Survey was last conducted in 2003, at which point ASB had topped satisfaction ratings amongst the major banks for six consecutive years.

> Performance Overview

AC Nielsen's Consumer Finance Monitor continuously tracks a range of market measures, reported every quarter. For Quarter 1, 2005, the latest quarter available, ASB was rated as:

- New Zealand's favourite bank of all major banks – on 17%;
- The bank most people would recommend of all major banks – on 15%;
- First equal in satisfaction ratings for Internet banking of all major banks – on 90%; and
- First in satisfactions ratings for automated telephone banking of all major banks – on 91%.

The international "Banker" magazine also rated ASB New Zealand Bank of the Year for the third consecutive year. Criteria counting towards this award included growth, service leadership and providing value to customers.

G.J. Judd Q.C.

Chairman

ASB Bank Limited

10 August 2005

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Corporate Governance

The Board of ASB Bank Limited (the "Bank") places great importance on the governance of the Bank. Performance and compliance are both important for good governance.

Annual reviews of the Board's performance and its policies and practices are carried out. These reviews identify where improvements can be made, and also assess the quality and effectiveness of the industry and company information made available to Directors

The principal features of the Bank's corporate governance are:

- the Audit Committee consists only of non-Executive Directors.
- the Managing Director does not participate in deliberations of either the Board or the Executive Appointments and Remuneration Committee affecting his position, remuneration or performance.
- there is an established criteria for the appointment of new Directors and external consultants are engaged in the search for new independent Directors.
- in terms of Section 74 of the Reserve Bank of New Zealand Act 1989, the conditions of registration for the Bank include:
  - the Board must have at least two independent Directors;
  - the Chairperson must not be an employee of the Bank;
  - the Bank's Directors must at all times act in the best interests of the Bank when exercising powers or performing duties as a Director.
  - no appointment of any Director, Chief Executive Officer, or Executive who reports or is accountable directly to the Chief Executive Officer shall be made unless the Reserve Bank has been supplied with the person's Curriculum Vitae and the Reserve Bank has advised it has no objection to the appointment.
  - a substantial proportion of the Bank's business must be conducted in and from New Zealand.
  - exposures to connected persons cannot be on more favourable terms than corresponding exposures to non- connected persons.

The Bank complies with these requirements.

- new Directors are invited to participate in an induction programme. They are also regularly updated on issues, trends and challenges relevant to the Bank, the financial services industry and the economy.
- Non-Executive Directors do not participate in any of the Bank's incentive plans.

The philosophy underlying the approach to corporate governance is consistent with the ethical standards required of all employees of the Bank.

COMMITTEES OF THE BOARD

The Board has delegated specific powers and responsibilities to a number of Board and management committees. Key decisions made by management committees are always recommended to the Board for approval.

There are three permanent Board committees, other committees being formed to carry out specific delegated tasks when required. A non-Executive Director chairs each committee.

AUDIT COMMITTEE

The Audit Committee assists the Board in carrying out its responsibilities under the Companies Act 1993 and the Financial Reporting Act 1993 with respect to accounting practices, policies and controls relative to the Bank's financial position.

Members of the Audit Committee are Messrs J. M. R. Syme (Chairman), R. Boven, S. I. Grimshaw and J. P. Hartley.

The Charter of the Audit Committee incorporates a number of policies and practices to ensure that the Committee is independent and effective. The Audit Committee's authority and responsibilities are to:

- meet with appropriate personnel, obtain records, and discuss the Bank's statutory and financial responsibilities relating to the reporting of financial information and internal controls.
- independently review the financial information prepared by management.
- review accounting policies to ensure compliance with current laws, regulations and accounting standards.
- consider significant financial reporting issues and judgments made in connection with the preparation of the financial statements.
- review assurances on the effectiveness of internal control systems.
- recommend to the shareholder the appointment and removal of the external auditor.
- oversee and appraise the independence, effectiveness and scope of the internal and external auditors' work.
- report to the full Board on its deliberations.

Corporate Governance

- the Board has in place policies governing the nature of non-audit work which cannot be undertaken by the Bank's auditor for the Bank or its subsidiaries. There are also procedures in place governing the pre-approval of all non-audit work. The objective of these approvals is to avoid prejudicing the independence of the auditor and to prevent their developing undue reliance on revenue from the Bank. The policy ensures that the auditor does not:
  - assume the role of management;
  - become an advocate for their own client; or
  - audit their own professional expertise.

Under the policy the auditor will not provide the following services:

  - bookkeeping or services relating to accounting records;
  - appraisal or valuation and fairness opinions;
  - advice on deal structuring and related documentation;
  - tax planning and strategic advice;
  - actuarial advisory services;
  - executive recruitment or extensive human resource functions;
  - acting as a broker-dealer, promoter or underwriter; or
  - legal services.

- the Bank's external auditor carries out audits across the Commonwealth Bank of Australia (CBA) Group of companies, including ASB Bank. CBA currently requires that the partner managing the audit for the external auditor be changed within a period of five years.

The Bank is materially in compliance with the framework of the USA's Sarbanes-Oxley Act.

RISK COMMITTEE

The responsibilities of the Risk Committee encompass the management and monitoring of credit, market and operational risk.

All Directors are members of the Risk Committee.

In respect of credit risk, the Committee ensures that the Bank maintains credit policies and underwriting standards designed to achieve portfolio outcomes consistent with the Bank's risk / return expectations. This includes:

- approving and reviewing the Bank's risk management framework.
- reviewing the Bank's credit portfolios according to established parameters including concentration, duration and expected returns and losses and approve adjustments to the credit portfolios where appropriate.
- approving the overall structure of delegated authorities to management for credit approval, review, provisioning and write-offs, and approving individual credits in excess of such delegations; and
- considering and approving the provisioning and write-off amounts each half year.

The Risk Committee also approves and reviews the risk management framework and policies for market risks, including currency, funding, interest rate, equity and liquidity risks, and monitors exposures relative to approved management authorities. New areas of market risk exposure are reviewed by the Committee, with appropriate management procedures being approved.

The Risk Committees' responsibilities in relation to operational and compliance risk include:

- the approval and review of the risk management framework and policies.

  remaining informed on the Bank's operational risk and regulatory compliance risk practices and procedures, including processes to identify new areas of risk or exposure.
- Reviewing the Bank's large operational and strategic business risk exposures, the economic equity allocated to operational risk, and business units' implementation of the risk management framework.
- Reviewing management actions taken in respect of any regulatory compliance breaches.

EXECUTIVE APPOINTMENTS & REMUNERATION COMMITTEE

The Executive Appointments & Remuneration Committee makes recommendations to the Board concerning the appointment and remuneration of the Managing Director and his direct reports.

Members of the Executive Appointments & Remuneration Committee are Messrs G. J. Judd (Chairman), G. H. Burrett, L. G. Cupper and G. L. Mackrell.

Executive appointments and remuneration is another aspect of corporate governance on which there is much focus. Remuneration for the Bank's Executives is determined, after taking external advice, to ensure competitive remuneration packages are in place to attract and retain competent and high-calibre staff.

Incentive payments for Executives are directly related to performance and depend on the extent to which operating and strategic targets set at the beginning of the financial year are achieved.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

ASB Bank has effected liability insurance for the Directors and Officers of the Bank and its subsidiaries.

Directors' Responsibility Statement

The Directors are required by the Financial Reporting Act 1993 to prepare financial statements for the accounting period which comply with Generally Accepted Accounting Practice ("GAAP") and provide such additional information as required to present a true and fair view of the financial affairs of the Company and Group.

The Directors are required by the Companies Act 1993 to ensure that proper accounting records have been kept, which enable with reasonable accuracy, the determination of the financial position of the Company and Group.

The Directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities.

The Directors have pleasure in presenting the financial statements and general disclosures of ASB Bank Limited for the year ended 30 June 2005.

For, and on behalf of, the Board of Directors, which authorised the issue of the financial statements on 2 August 2005.

G.J. Judd Q.C.

Chairman

G.H. Burrett

Managing Director

2 August 2005

Historical Summary of Consolidated Financial Statements

$ millions For the year ended 30 June	**Audited 2005**	Audited 2004	Audited 2003	Audited 2002	Audited 2001
STATEMENT OF FINANCIAL PERFORMANCE					
Interest Income	**2,686.3**	2,098.7	1,899.3	1,500.7	1,473.9
Interest Expense	**1,905.6**	1,411.1	1,282.4	992.3	1,016.5
Net Interest Earnings	**780.7**	687.6	616.9	508.4	457.4
Other Income	**268.1**	249.2	233.9	215.3	187.2
Total Operating Income	**1,048.8**	936.8	850.8	723.7	644.6
Debt Provisions Expense	**15.8**	20.8	24.8	18.0	13.5
Total Operating Income after Debt Provisions Expense	**1,033.0**	916.0	826.0	705.7	631.1
Total Operating Expenses	**470.0**	446.4	407.2	371.0	351.0
Net Surplus before Taxation	**563.0**	469.6	418.8	334.7	280.1
Taxation	**180.2**	152.8	140.8	110.0	96.7
Net Surplus after Taxation	**382.8**	316.8	278.0	224.7	183.4
Ordinary Dividends	**43.0**	25.0	195.0	10.0	150.0
Perpetual Preference Dividends	**16.1**	9.7	5.6	-	-
Non-Cumulative Preference Dividends	**-**	-	-	-	3.1
Surplus Retained	**323.7**	282.1	77.4	214.7	30.3
Of which Impaired Asset (Recovery) / Expense	(1.6)	(1.5)	1.4	1.1	1.4

$ millions As at 30 June	**Audited 2005**	Audited 2004	Audited 2003	Audited 2002	Audited 2001
STATEMENT OF FINANCIAL POSITION					
Total Assets	**38,798.9**	33,047.7	27,537.9	24,249.6	20,021.7
Of which Impaired Assets	**32.3**	25.9	31.8	35.2	31.2
Total Liabilities	**36,527.7**	31,452.2	26,228.0	23,216.8	19,202.0
Total Shareholder's Equity	**2,271.2**	1,595.5	1,309.9	1,032.8	819.7

Statement of Financial Performance

$ millions For the year ended 30 June	Note	Consolidated 2005	2004	Parent 2005	2004
Interest Income	2	**2,686.3**	2,098.7	**2,582.8**	1,974.4
Interest Expense	3	**1,905.6**	1,411.1	**1,915.9**	1,409.5
Net Interest Earnings		**780.7**	687.6	**666.9**	564.9
Other Income	5	**268.1**	249.2	**290.9**	280.9
Total Operating Income		**1,048.8**	936.8	**957.8**	845.8
Debt Provisions Expense	14	**15.8**	20.8	**16.8**	22.3
Total Operating Income after Debt Provisions Expense		**1,033.0**	916.0	**941.0**	823.5
Total Operating Expenses	6	**470.0**	446.4	**488.8**	463.1
Salaries and Other Staff Expenses		**257.6**	228.2	**254.0**	224.2
Building Occupancy and Equipment Expenses		**80.5**	76.9	**77.1**	73.4
Information Technology Expenses		**51.6**	61.1	**50.0**	59.4
Other Expenses		**80.3**	80.2	**107.7**	106.1
Net Surplus before Taxation		**563.0**	469.6	**452.2**	360.4
Taxation	8	**180.2**	152.8	**113.0**	81.7
Net Surplus after Taxation		**382.8**	316.8	**339.2**	278.7

These statements are to be read in conjunction with the Notes on pages 12 to 47 and the Auditor's Report on page 52 to 53.

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Statement of Movements in Equity

$ millions For the year ended 30 June	Note	Consolidated **2005**	 2004	Parent **2005**	 2004
Total Shareholder's Equity at Beginning of Year		**1,595.5**	1,309.9	**1,460.4**	1,212.9
Net Surplus after Taxation		**382.8**	316.8	**339.2**	278.7
Revaluations	25	**2.0**	3.8	**1.8**	3.5
Movements in Other Reserves	26	**-**	(0.3)	**-**	-
Total Recognised Revenues and Expenses		**384.8**	320.3	**341.0**	282.2
Add:					
Issue of Preference Share Capital	24	**350.0**	-	**350.0**	-
Less:					
Ordinary Dividends		**43.0**	25.0	**43.0**	25.0
Perpetual Preference Dividends		**16.1**	9.7	**16.1**	9.7
Total Dividends	9 & 27	**59.1**	34.7	**59.1**	34.7
Total Shareholder's Equity at End of Year		**2,271.2**	1,595.5	**2,092.3**	1,460.4

These statements are to be read in conjunction with the Notes on pages 12 to 47 and the Auditor's Report on page 52 to 53.

Statement of Financial Position

$ millions As at 30 June	Note	Consolidated 2005	2004	Parent 2005	2004
ASSETS					
Cash and Liquid Assets	10	**52.5**	74.6	**51.2**	74.5
Due from Other Banks	11	**520.9**	1,355.3	**167.1**	989.9
Investment Securities	12	**399.2**	440.1	**-**	-
Other Securities	12	**2,497.0**	2,128.5	**2,131.9**	1,730.9
Advances	13	**34,978.2**	28,788.8	**34,232.3**	27,722.0
		38,447.8	32,787.3	**36,582.5**	30,517.3
Less: General Provision for Bad and Doubtful Debts	14	**123.3**	108.0	**122.4**	106.1
		38,324.5	32,679.3	**36,460.1**	30,411.2
Due from Associates and Subsidiaries	15	**-**	-	**1,199.6**	1,575.2
Investments in Associates and Subsidiaries	16	**0.1**	0.1	**701.9**	809.5
Property, Plant and Equipment	17	**164.0**	154.0	**154.2**	144.4
Other Assets	18	**293.1**	199.9	**221.4**	146.7
Deferred Taxation Benefit	19	**17.2**	14.4	**16.5**	13.6
Total Assets		**38,798.9**	33,047.7	**38,753.7**	33,100.6
Total Interest Earning and Discount Bearing Assets		***38,395.4***	*32,712.8*	***37,719.2***	*32,010.6*
Financed by:					
LIABILITIES					
Deposits and Other Borrowings					
Deposits	20	**31,958.9**	26,394.6	**31,958.9**	26,394.6
Due to Other Banks	21	**4,091.0**	4,437.4	**4,087.3**	4,431.5
Other Liabilities					
Due to Associates and Subsidiaries		**0.2**	0.2	**167.0**	221.1
Other Current Liabilities	22	**477.6**	368.9	**448.2**	341.9
		36,527.7	31,201.1	**36,661.4**	31,389.1
Subordinated Debt	23	**-**	251.1	**-**	251.1
Total Liabilities		**36,527.7**	31,452.2	**36,661.4**	31,640.2
SHAREHOLDER'S EQUITY					
Contributed Capital - Ordinary Shareholder	24	**323.1**	323.1	**323.1**	323.1
Asset Revaluation Reserves	25	**18.6**	16.6	**16.0**	14.2
Other Reserves	26	**-**	-	**-**	-
Accumulated Surplus	27	**1,379.5**	1,055.8	**1,203.2**	923.1
Ordinary Shareholder's Equity		**1,721.2**	1,395.5	**1,542.3**	1,260.4
Contributed Capital - Perpetual Preference Shareholder	24	**550.0**	200.0	**550.0**	200.0
Total Shareholder's Equity		**2,271.2**	1,595.5	**2,092.3**	1,460.4
Total Liabilities and Shareholder's Equity		**38,798.9**	33,047.7	**38,753.7**	33,100.6
Total Interest and Discount Bearing Liabilities		***34,801.5***	*29,806.6*	***34,830.4***	*29,816.1*

These statements are to be read in conjunction with the Notes on pages 12 to 47 and the Auditor's Report on page 52 to 53.

> Statement of Cash Flows

$ millions For the year ended 30 June	Note	Consolidated 2005	2004	Parent 2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Interest Received		**2,653.2**	2,075.2	**2,581.5**	1,952.8
Other Income Received		**244.5**	233.9	**267.1**	274.7
		2,897.7	2,309.1	**2,848.6**	2,227.5
Cash was applied to:					
Interest Paid		**1,797.5**	1,373.9	**1,777.0**	1,356.6
Operating Expenses		**417.3**	398.3	**365.3**	431.2
Net Taxation Paid		**168.4**	91.8	**104.5**	19.1
Payments to Related Parties for Tax Related Items		**12.5**	74.3	**10.2**	63.4
		2,395.7	1,938.3	**2,257.0**	1,870.3
Net Cash Flows from Operating Activities	28	**502.0**	370.8	**591.6**	357.2
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Due from Other Banks (Term)		**835.9**	194.1	**835.8**	(405.8)
Sale of Property, Plant and Equipment		**0.2**	71.0	**0.2**	1.5
Due from Associates and Subsidiaries		**-**	-	**326.4**	352.7
Sale of Investment in Associates and Subsidiaries		**-**	-	**-**	600.0
		836.1	265.1	**1,162.4**	548.4
Cash was applied to:					
Net Increase / (Decrease) in:					
Advances		**6,179.2**	6,507.5	**6,513.8**	6,704.1
Securities		**341.5**	(754.8)	**415.6**	(696.3)
Purchase of Property, Plant and Equipment		**44.0**	55.3	**43.0**	55.0
Listed Company Shares		**4.4**	27.3	**4.4**	27.3
		6,569.1	5,835.3	**6,976.8**	6,090.1
Net Cash Flows from Investing Activities		**(5,733.0)**	(5,570.2)	**(5,814.4)**	(5,541.7)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Net Increase in:					
Deposits		**5,515.9**	5,257.2	**5,515.8**	5,257.3
Preference Share Capital		**350.0**	-	**350.0**	-
		5,865.9	5,257.2	**5,865.8**	5,257.3
Cash was applied to:					
Redemption of Subordinated Debt		**250.0**	-	**250.0**	-
Due to Other Banks (Term)		**382.6**	53.0	**380.3**	50.5
Dividends Paid		**59.1**	34.7	**59.1**	34.7
		691.7	87.7	**689.4**	85.2
Net Cash Flows from Financing Activities		**5,174.2**	5,169.5	**5,176.4**	5,172.1
SUMMARY OF MOVEMENTS IN CASH FLOWS					
Net Decrease in Cash and Cash Equivalents		**(56.8)**	(29.9)	**(46.4)**	(12.4)
Add: Cash and Cash Equivalents at Beginning of Year		**83.7**	113.6	**68.2**	80.6
Cash and Cash Equivalents at End of Year	29	**26.9**	83.7	**21.8**	68.2

These statements are to be read in conjunction with the Notes on pages 12 to 47 and the Auditor's Report on page 52 to 53.

Notes to the Financial Statements

For the year ended 30 June 2005

1 Statement of Accounting Policies

GENERAL ACCOUNTING POLICIES

These financial statements have been drawn up in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993, and the Registered Bank Disclosure Statement (Full and Half-Year - New Zealand Incorporated Registered Banks) Order 2005. The reporting entity is ASB Bank Limited and its subsidiaries (the "Banking Group"). ASB Bank Limited (the "Bank") is registered under the Companies Act 1993.

The measurement base adopted is that of historical cost as modified by the revaluation of certain Property, Plant and Equipment and financial instruments, as identified below.

PARTICULAR ACCOUNTING POLICIES

(a) Basis of Consolidation

Assets, liabilities, and operating results of subsidiaries are included in the consolidated financial statements on the basis of financial statements made up to balance date, using the purchase method. All material intercompany balances and transactions have been eliminated.
The results of associate companies are not equity accounted for, as their net surpluses are rebated to shareholders.

(b) Income Recognition

Interest Income is recognised on an accrual basis, either daily or on a yield to maturity basis. Early repayment interest adjustments are matched against the cost of relevant hedging positions. All material fee income is recognised in the Statement of Financial Performance when the service is provided to the customer.

Amortisation of premiums and discounts on financial assets and liabilities is included in Net Interest Earnings. Market value adjustments are included in Other Income.

(c) Expense Recognition

All material expenses are recognised in the Statement of Financial Performance on an accrual basis, including Interest Expense either daily or on a yield to maturity basis.

(d) Advances

Advances cover all forms of lending to customers including mortgages, overdrafts, personal loans and credit card balances. Advances which are processed in the Bank's Treasury Department are recognised in the Statement of Financial Position at their fair value, less accrued interest, which is included in Interest Receivable Accrued. All other advances are recognised in the Statement of Financial Position at their outstanding principal balances less Specific Provisions.

(e) Investment Securities

Investment Securities are public and other debt securities, which were purchased with the intention of holding them for the long term or until maturity. They are accounted for on a settlement date basis.

Bond securities are recognised at cost, adjusted for the amortisation of premiums and discounts.

Interest income and discounts on other Investment Securities are recognised on an accrual basis.

Gains or losses due to changes in market value are only recognised in the Statement of Financial Performance if an Investment Security is sold.

(f) Other Securities

Other Securities are public and other debt securities, which were purchased without the intention of holding them until maturity. Such securities are recognised at their fair value, with unrealised gains or losses in respect of market value adjustments being recognised immediately in the Statement of Financial Performance. Other Securities are accounted for on a settlement date basis.

(g) Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase are retained within the relevant security portfolio and accounted for accordingly. The obligation to repurchase is recorded as a deposit. The difference between the sale and repurchase price represents Interest Expense and is recognised in the Statement of Financial Performance over the term of the repurchase agreement. Securities held under reverse repurchase agreements are recorded as Interest Earning Assets. The difference between the purchase and sale price represents Interest Income and is recognised in the Statement of Financial Performance over the term of the reverse repurchase agreement.

(h) Due from / to Other Banks

Due from / to Other Banks are categories defined by the nature of the counterparty. Assets and liabilities within this category are generally recognised at their fair value reflecting the nature of the asset or liability.

(i) Asset Quality

Impaired Assets consist of non-accrual assets, restructured assets and assets acquired through the enforcement of security.

Notes to the Financial Statements

For the year ended 30 June 2005

1 Statement of Accounting Policies (continued)

A non-accrual asset is any credit exposure for which it is probable that the Bank will not be able to collect all amounts owing in accordance with the terms of the contract with the counterparty.

A restructured asset is any asset which is not a non-accrual asset and for which:

(a) the original terms have been changed to grant the counterparty a concession that would not otherwise have been available, due to the counterparties difficulties in complying with the original terms;

(b) the revised terms of the facility are not comparable with the terms of new facilities with comparable risks; and

(c) the yield on the asset following restructuring is equal to, or greater than, the Bank's average cost of funds, or that a loss is not otherwise expected to be incurred.

Assets acquired through the enforcement of security are those real estate and other assets acquired in full or partial satisfaction of a debt.

Specific Provisions are made and recognised against impaired assets, where full recovery of principal and interest is not considered probable. Interest on these assets is accounted for on a cash basis. All receipts are attributed to outstanding interest before being recognised as repayment of principal.

Incorporated in the Specific Provisions are bulk provisions made against statistically managed portfolios.

A General Provision for Bad and Doubtful Debts is maintained to cover unidentified possible losses and latent risks inherent in the overall portfolio of advances and other lending transactions. This is assessed having regard to the level of risk weighted credit exposure of on and off balance sheet assets and a range of other criteria.

Bad debts specifically provided for and recoveries of the same are written off against Specific Provisions, whilst bad debts not specifically provided for and recoveries of the same, are written off through the General Provision. Amounts required to bring the Provisions to their assessed levels are recognised in the Statement of Financial Performance.

Other Definitions

A Past Due Asset is any credit exposure which has not been operated by the counterparty within its key terms for at least 90 days and which is not an Impaired Asset.

An Asset under Administration is any credit exposure which is not an Impaired Asset or a Past Due Asset, but which is to a counterparty:

(a) who is in receivership, liquidation, bankruptcy, statutory management or any form of administration in New Zealand; or

(b) who is in any other equivalent form of voluntary or involuntary administration in an overseas jurisdiction.

(j) Investments in Associates and Subsidiaries

Investments in Associates and Subsidiaries are recognised in the Statement of Financial Position at cost.

(k) Property, Plant and Equipment

Property, Plant and Equipment other than Land and Buildings are recognised in the Statement of Financial Position at cost less Accumulated Depreciation.

Land and Buildings are valued to reflect current use. The valuations are carried out by independent registered valuers in May of each year. The valuers are all Associate Members of the New Zealand Institute of Valuers and the major valuers are Jones Lang LaSalle Advisory Limited (Auckland), Perry Heavey & Company Limited (Auckland) and Robisons (Whangarei). Properties are recognised in the Statement of Financial Position at the independent valuations with subsequent additions at cost.

Changes in valuations are transferred directly to Asset Revaluation Reserves. Where such a transfer results in a debit balance in the Asset Revaluation Reserves the deficit is transferred direct to the Statement of Financial Performance, and any subsequent revaluation gains are written back through the Statement of Financial Performance to the extent of past deficits written off.

The cost or revalued amount of Property, Plant and Equipment (excluding Land) less the estimated residual value is depreciated over their economic lives on a straight line basis. The range of economic lives of the major assets are:

Buildings	10-100 years
Furniture and Fittings	5-25 years
Computer Equipment, Software and Office Equipment	3-10 years
Other Property, Plant and Equipment	2-25 years

Notes to the Financial Statements

For the year ended 30 June 2005

1 Statement of Accounting Policies (continued)

(l) Deposits

Deposits cover all forms of funding from customers including transactional and savings accounts, term deposits, certificates of deposit and issued paper, and credit balances on cards. Certificates of deposit and issued paper are recognised at their fair value. Deposits that are processed in the Bank's Treasury Department are recognised in the Statement of Financial Position at their fair value less accrued interest, which is included in Interest Payable Accrued. All other deposits are recognised at their outstanding principal balances.

(m) Subordinated Debt

Subordinated Debt is recognised in the Statement of Financial Position at principal plus accrued interest, as both components are subordinate to other liabilities.

(n) Foreign Currencies

All foreign currency monetary assets and liabilities are converted at the rates of exchange ruling as at balance date. Foreign currency forward, futures, swaps and option positions are valued at the appropriate market rates applying as at balance date. Unrealised gains and losses arising from these revaluations are recognised immediately in the Statement of Financial Performance.

(o) Taxation

Provision is made for taxation after taking advantage of all allowable deductions under current taxation legislation.

The liability method (comprehensive basis) of accounting for the taxation effect of timing differences, between the accounting treatment and taxation treatment of certain items, has been adopted.

Deferred Taxation Benefits are only recognised in the Statement of Financial Position where there is virtual certainty that the benefit will be utilised.

(p) Interest Rate Contracts

Interest Rate Futures, Options and Forward Rate Agreements are used as part of the Banking Group's trading activities and are also used to hedge certain assets and liabilities, commitments and anticipated transactions. Gains and losses on interest rate contracts related to trading activities are recognised immediately in the Statement of Financial Performance. Gains and losses related to contracts that are designated and are effective as hedges are generally deferred and recognised in the Statement of Financial Performance over the expected remaining life of the hedged item.

(q) Interest Rate Swaps

Interest Rate Swaps entered into for purposes other than trading have the objective of managing balance sheet risk. To be effective as hedges, the derivatives are identified and allocated against the underlying instrument and generally modify the total exposure on that position. Such derivative financial instruments are purchased with the intent of being held to maturity. Derivatives that are designated and effective as hedges are accounted for on the same basis as the instruments they are hedging.

(r) Financial Instruments

BASIS OF RECOGNITION

Assets and liabilities arising from the revaluation or accrual of interest on off balance sheet items are recognised in the Statement of Financial Position.

Information on the face value and credit equivalents of off balance sheet items is given in Notes 33, 38, 39 and 46.

The basis for recognising all other financial instruments is covered in individual notes to these financial statements.

FAIR VALUE

Where available, quoted market prices are used as a measure of fair value. However, for some of the Bank's financial instruments, quoted market prices do not exist. Where this is the case, fair values are estimated using present value or other market accepted valuation techniques.

The methodologies and assumptions adopted are based on the terms and risk characteristics of the various financial instruments and include the following:

Cash and Liquid Assets

These assets are short term in nature and the related carrying value is equivalent to their fair value.

Investment Securities

For Investment Securities, the estimated fair value is based on quoted market prices.

Other Securities

For Other Securities, the estimated fair value recognised in the Statement of Financial Position is based on quoted market prices, which is also equivalent to their carrying value.

Notes to the Financial Statements

For the year ended 30 June 2005

1 Statement of Accounting Policies (continued)

Advances

For floating rate Advances, the carrying amount in the Statement of Financial Position is considered a reasonable estimate of their fair value after making allowances for the fair value of non-accrual and potential problem loans. For fixed rate Advances, fair value has been estimated using discounted cash flow models based on the interest rate repricing of the Advances. The discount rates applied in this calculation were based on current market interest rates for Advances with similar credit and maturity profiles.

Due from / to Associates and Subsidiaries

For Advances and Amounts Due from / to Associates and Subsidiaries, the carrying amounts in the Statement of Financial Position are a reasonable estimate of their fair value.

Deposits and Other Liabilities

For non-interest bearing debt, call and variable rate Deposits, the carrying amounts in the Statement of Financial Position are a reasonable estimate of their fair value. For other term Deposits, fair value was estimated using discounted cash flow models based on the maturity of the Deposits. The discount rates applied in this calculation were based on current market interest rates for similar Deposits with similar maturity profiles. For all other liabilities, the carrying amount in the Statement of Financial Position is a reasonable estimate of their fair value.

Subordinated Debt

For Subordinated Debt, the estimated fair value is based on quoted market rates of publicly traded securities of similar maturity.

Off Balance Sheet Items

For those off balance sheet items such as Direct Credit Substitutes (including acceptance and endorsement of Bills of Exchange), Trade and Performance Related Items and Commitments, no secondary market exists, and it is therefore, not practical to obtain fair values for those instruments. These items have therefore been excluded from fair value calculations. The fair values of Foreign Exchange and Interest Rate Contracts were obtained from quoted market prices, discounted cash flow models or option pricing models as appropriate.

(s) Statement of Cash Flows

The Statement of Cash Flows has been prepared using the direct approach modified by the netting of the cash flows associated with Securities, Due from / to Other Banks, Advances, Deposits and Amounts Due from / to Associates and Subsidiaries. This method provides more meaningful disclosure as many of the cash flows are on behalf of the Bank's customers and do not reflect the activities of the Bank. Cash and Cash Equivalents consist of Cash and Liquid Assets used in the day-to-day cash management of the Bank.

CHANGES IN ACCOUNTING POLICIES

There have been no material changes in accounting policies. All policies have been applied on a basis consistent with that used in the prior year.

COMPARATIVE DATA

Certain comparative figures have been reclassified to conform with the current year's presentation.

TRANSITION TO NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("NZ IFRS")

On 1 July 2005 the Bank adopted NZ IFRS, as appropriate for profit-oriented entities. Compliance with NZ IFRS will ensure that the financial statements also comply with International Financial Reporting Standards. The adoption of NZ IFRS will first be reflected in the General Disclosure Statement for the three months ending 30 September 2005.

A project team of relevant Bank personnel, working in conjunction with Commonwealth Bank of Australia, has reviewed the Bank's current accounting policies to identify and plan for changes required to comply with NZ IFRS. Implementation of these changes commenced during the year ended 30 June 2005 and the project is on schedule to ensure that conversion occurs within the required timeframe.

Although all NZ IFRS will be applied by the Bank from 1 July 2005, some standards are not applicable to the comparative financial year (the financial year beginning 1 July 2004). As such, on publication of NZ IFRS-compliant financial statements for the financial year beginning 1 July 2005, the financial results and financial position for the comparative year will only be restated to a limited extent. Descriptions of the key NZ IFRS changes are set out below, showing separately those changes with an effective impact of 1 July 2004 and those with an effective impact of 1 July 2005.

Where the financial impact of conversion can be reliably estimated, and where it is material, details are provided below. The Bank cannot reliably estimate the prospective financial impact beyond 1 July 2005 of NZ IFRS changes, as the eventual impact of these changes depends on uncertain future events and transactions. Also, the potential adjustments set out in this note are estimates based on interpretation of the currently issued standards. To the extent that these standards or their interpretation change, the amounts quoted below may need to be adjusted prior to the publication of the Bank's first full NZ IFRS-compliant financial statements.

Notes to the Financial Statements

For the year ended 30 June 2005

1 Statement of Accounting Policies (continued)

Key Accounting Changes

Whilst the implementation of NZ IFRS has no impact on the Bank's cash flows, underlying economic strength, or risk management practices, the following key areas of difference between current accounting practice and the treatment under NZ IFRS have been identified.

Changes with effective impact from 1 July 2004

(a) Revenue and Expense Recognition

Early Repayment interest adjustments are currently matched against the cost of relevant hedging positions. Under NZ IFRS they will be taken to the Statement of Financial Performance when received. This will result in an increase to Accumulated Surplus as at 1 July 2004 of $3.6m ($2.4m after tax) and a decrease in other liabilities, with a corresponding decrease in Net Surplus for the year ended 30 June 2005.

(b) Revaluation of Property, Plant and Equipment

Under NZ IFRS the Bank will no longer be able to offset revaluation gains and losses against one another within a class of Property, Plant and Equipment. Instead, if the carrying value of an individual asset is decreased as the result of a revaluation, the decrease can only be offset against reserves to the extent of any credit balance relating to that asset. Otherwise the decrease must be recognised in the Statement of Financial Performance.

This will result in increases to Asset Revaluation Reserves of $0.9m as at 1 July 2004 and $1.2m for the year ended 30 June 2005, with corresponding decreases in Accumulated Surplus of $0.9m ($0.6m after tax) as at 1 July 2004 and in Net Surplus of $1.2m ($0.8m after tax) for the year ended 30 June 2005.

(c) Taxation

A "Balance Sheet" approach to tax-effect accounting is followed under NZ IFRS, replacing the current "Statement of Financial Performance" approach. This approach recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base. There is not expected to be any substantial impact as a result of this change.

Changes with effective impact from 1 July 2005

(a) Derivatives and Hedge Accounting

Derivatives entered into for hedging purposes are currently accounted for on the same basis as the instrument they are hedging.

Under NZ IFRS all derivative financial instruments, including those used for balance sheet hedging purposes, are recognised on balance sheet and measured at fair value. Hedge accounting can be applied, subject to certain rules, for fair value hedges and cash flow hedges. Cash flow hedge accounting is expected to be the predominant form of hedge accounting applied by the Bank.

It is expected that these new rules on accounting for hedging instruments will introduce significant volatility within equity reserves, and the potential for some volatility within the Statement of Financial Performance.

As at 1 July 2005 the Bank will recognise the following amounts within Shareholder's Equity in relation to hedge accounting:

- the recognition of a Cash Flow Hedge Reserve of $56.4m ($37.8m after tax) representing the cumulative retrospective effectiveness of all 1 July 2005 cash flow hedge relationships; and
- an adjustment to Accumulated Surplus of $3.1m ($2.1m after tax) to reflect the cumulative retrospective ineffectiveness inherent in the 1 July 2005 hedge accounting portfolio and initial recognition of derivatives not meeting the criteria for hedge accounting.

(b) Provisions for Loan Impairment

In line with market practice, the Bank's current general provisioning for impairment covers non-identifiable probable losses and latent risks inherent in the overall portfolio of Advances and other credit transactions. Under NZ IFRS the Bank will at each reporting date first assess whether any objective evidence of impairment exists individually for financial assets that are individually significant, and individually and collectively for financial assets that are not individually significant. In some cases the Bank will also use its experienced judgement to estimate the amount of any impairment loss.

As a result of this change, there is likely to be a reduction in the amount of the Bank's general / collective provisioning for impairment. Due to current uncertainty around NZ IFRS accounting interpretations and the development of Australasian industry practice in this area, a loan impairment provision in accordance with NZ IFRS cannot be reliably estimated.

The practice of recording specific provisions for loan impairment will continue under NZ IFRS, however, such provisions (termed provisions for individually significant impaired loans) must be based on the discounted values of estimated future cash flows. The discount unwinds during the period between the initial recognition of the provision and the eventual recovery of the written down amount, resulting in the recording of interest in the Statement of Financial Performance, within interest income.

Notes to the Financial Statements

For the year ended 30 June 2005

1 Statement of Accounting Policies (continued)

(c) Revenue and Expense Recognition

Under NZ IFRS, certain fees received and expenses incurred in the origination of loans will be required to be capitalised and subsequently recognised as a yield adjustment to interest income over the expected life of the loans. This will involve some reclassifications of revenue and expense between fee income, operating expenses and interest income, and will affect Total Operating Income and the carrying value of Advances.

As at 1 July 2005, an increase in Accumulated Surplus of $60.2 m ($37.5m after tax) will be recognised, reflecting the deferral of previously recognised revenue and expense items.

(d) Classification and Measurement of Financial Instruments

Certain of the Bank's financial assets currently carried at cost will be re-categorised to financial assets held at fair value, with changes in value recognised in the Statement of Financial Performance. This will affect the carrying value of financial assets, but is not expected to result in a substantial change to Accumulated Surplus on transition to NZ IFRS.

Regulatory Capital Treatment

Several of the changes to accounting practice affect the assets and equity items included in the calculation of the Bank's regulatory capital. Current accounting definitions for asset and equity measurement are central to the capital adequacy requirements set by prudential regulators. The Reserve Bank of New Zealand has indicated that it intends to conduct a thorough review of the impact of NZ IFRS on its Capital Adequacy Framework with the aim to harmonise any changes with those made by the Australian Prudential Regulation Authority ("APRA"), but has not yet released any detailed proposals.

APRA has released a discussion paper setting out some of its proposed prudential responses to the adoption of the Australian equivalents to NZ IFRS ("AIFRS") by APRA regulated institutions. These proposals generally indicate that the status quo will be maintained in respect of the majority of the current prudential capital treatments. However, there are a number of specific AIFRS related changes where it is unclear whether the Bank's current capital measurement methodologies will be fully immunised. APRA is consulting with regulated entities, including the Bank's parent Commonwealth Bank of Australia, prior to its finalisation of any amendments to the prudential regulations.

	Consolidated			
$ millions	**Contributed Capital**	**Reserves**	**Accumulated Surplus**	**Total Shareholder's Equity**
Shareholder's Equity Reconciliation (based on current estimates and interpretations)				
Balance reported under NZ GAAP as at 1 July 2004	**523.1**	**16.6**	**1,055.8**	**1,595.5**
Adjustments on transition to NZ IFRS				
Increase in Accumulated Surplus			2.5	2.5
Increase in Asset Revaluation Reserve		0.9		0.9
Balance restated under NZ IFRS as at 1 July 2004	**523.1**	**17.5**	**1,058.3**	**1,598.9**
Net Surplus after Taxation for the Year ended 30 June 2005			382.8	382.8
Other movements for the Year ended 30 June 2005	350.0	2.0	(59.1)	292.9
NZ IFRS adjustments for the year ended 30 June 2005				
Decrease in Net Surplus			(3.4)	(3.4)
Increase in Asset Revaluation Reserve		1.2		1.2
Balance restated under NZ IFRS as at 30 June 2005	**873.1**	**20.7**	**1,378.6**	**2,274.4**
NZ IFRS adjustments as at 1 July 2005				
Initial recognition of Cash Flow Hedge Reserve		37.8		37.8
Fair Value adjustment on initial application of hedge accounting			(0.9)	(0.9)
Recognition of derivatives not meeting criteria for hedge accounting			3.0	3.0
Deferral of previously recognised loan origination expenses incurred			37.5	37.5
Fair value adjustment for reclassified financial instruments			(0.8)	(0.8)
Balance restated under NZ IFRS as at 1 July 2005	**873.1**	**58.5**	**1,417.4**	**2,349.0**
Summary of estimated changes in Shareholder's Equity				
Total Shareholder's Equity reported under NZ GAAP as at 30 June 2005				**2,271.2**
Increase in Accumulated Surplus				37.9
Increase in Asset Revaluation Reserve				2.1
Recognition of Cash Flow Hedge Reserve				37.8
Total Shareholder's Equity restated under NZ IFRS as at 1 July 2005				**2,349.0**

Notes to the Financial Statements

For the year ended 30 June 2005

$ millions	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
2 Interest Income				
Advances	**2,473.1**	1,908.5	**2,367.5**	1,768.3
Investment Securities	**47.4**	48.9	**-**	-
Other Securities	**165.5**	140.6	**139.2**	119.6
Associates and Subsidiaries	**-**	-	**75.8**	85.8
Other	**0.3**	0.7	**0.3**	0.7
Total Interest Income	**2,686.3**	2,098.7	**2,582.8**	1,974.4
New Zealand Government and Local Authority Securities Income (included in above figures)	***5.3***	*2.3*	***5.3***	*2.3*

Interest Income on Advances includes interest earned on Impaired Assets of $2.4m for consolidated (30 June 2004 $2.3m) and $2.4m for parent (30 June 2004 $2.1m).

Within Investment Securities (refer to Note 12), deposits have been set-off against Interest Bearing Debentures and Floating Rate Notes.

	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
Investment Securities Income				
Interest Bearing Debentures (Inclusive of Imputation Credits)	**22.7**	28.9	**-**	-
Floating Rate Notes	**29.7**	29.8	**-**	-
Less: Interest on Related Deposits	**38.8**	41.1	**-**	-
	13.6	17.6	**-**	-
Other Investment Securities Income	**33.8**	31.3	**-**	-
Total Investment Securities Income	**47.4**	48.9	**-**	-
Interest Rates				
Interest Bearing Debentures (Inclusive of Imputation Credits)	**8.88%**	8.88%	**-**	-
Floating Rate Notes	**7.43%**	7.43%	**-**	-
Related Deposits	**6.73%**	6.73%	**-**	-

Within Due from Associates and Subsidiaries (refer to Note 15), deposits have been set-off against redeemable preference shares.

	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
Associates and Subsidiaries Income				
Redeemable Preference Shares Dividend Income	**-**	-	**35.1**	39.3
Less: Interest on Related Deposits	**-**	-	**38.8**	41.1
	-	-	**(3.7)**	(1.8)
Other Income from Associates and Subsidiaries	**-**	-	**79.5**	87.6
Total Associates and Subsidiaries Income	**-**	-	**75.8**	85.8
Interest Rates				
Redeemable Preference Shares Dividend Income	**-**	-	**4.97%**	5.41%
Related Deposits	**-**	-	**6.23%**	6.80%

	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
3 Interest Expense				
Certificates of Deposit and Issued Paper	**288.1**	134.4	**288.1**	134.4
Retail Term Deposits	**573.0**	420.2	**573.0**	420.2
Other Deposits Bearing Interest	**1,034.5**	839.4	**1,042.0**	836.5
Associates and Subsidiaries	**-**	-	**2.8**	1.3
Subordinated Debt	**10.0**	17.1	**10.0**	17.1
Total Interest Expense	**1,905.6**	1,411.1	**1,915.9**	1,409.5

Notes to the Financial Statements

For the year ended 30 June 2005

$ millions	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
4 Discontinued Activities				
There were no discontinued activities during the year.				
5 Other Income				
Lending and Credit Facility Related Fees	**63.7**	53.7	**63.5**	53.9
Other Fees	**147.4**	136.1	**140.9**	128.8
Net Foreign Exchange Earnings and Commissions	**32.0**	29.0	**30.8**	28.1
Trading Gains	**21.2**	17.7	**21.4**	17.4
Rent	**2.0**	3.8	**0.9**	0.8
Net Capital Gain / (Loss)	**0.5**	3.2	**(106.5)**	0.4
Dividends Received	**1.4**	1.2	**139.9**	47.0
Other	**(0.1)**	4.5	**-**	4.5
Total Other Income	**268.1**	249.2	**290.9**	280.9
6 Operating Expenses Disclosures				
Depreciation - Buildings	**7.8**	8.0	**7.2**	6.7
Depreciation - Furniture and Fittings	**5.1**	4.9	**4.9**	4.5
Depreciation - Computer Equipment, Software and Office Equipment	**22.8**	20.8	**22.7**	20.7
Depreciation - Other Property, Plant and Equipment	**-**	-	**-**	-
Total Depreciation	**35.7**	33.7	**34.8**	31.9
Operating Lease Rentals	**35.2**	34.1	**33.2**	32.9
Directors' Fees and Allowances	**0.3**	0.3	**0.3**	0.3
Net Losses on Sale of Property, Plant and Equipment	**0.2**	0.4	**0.2**	0.4
7 Auditor's Remuneration				
Auditing Services	**0.4**	0.4	**0.4**	0.4
Other Services	**-**	-	**-**	-
Ernst & Young is the appointed auditor of the Banking Group.				
8 Taxation				
Net Surplus before Taxation	**563.0**	469.6	**452.2**	360.4
Permanent Differences:				
Net Capital (Gain) / Loss	**(0.5)**	1.6	**106.5**	0.2
Change in General Provision for Doubtful Debts	**15.3**	19.2	**16.3**	20.6
Exempt Dividend Income	**-**	-	**(231.2)**	(134.8)
Other	**(31.8)**	(27.4)	**(1.4)**	1.2
	546.0	463.0	**342.4**	247.6
The current tax rate @ 33c gives the Statement of Financial Performance Income Tax Expense	**180.2**	152.8	**113.0**	81.7
Income Tax Expense is comprised of:				
Current Taxation	**183.0**	159.6	**115.9**	87.2
Deferred Taxation	**(2.8)**	(6.8)	**(2.9)**	(5.5)
	180.2	152.8	**113.0**	81.7

Notes to the Financial Statements

For the year ended 30 June 2005

$ millions	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
9 Dividends				
Ordinary Dividends	**43.0**	25.0	**43.0**	25.0
Perpetual Preference Dividends	**16.1**	9.7	**16.1**	9.7
Total Dividends	**59.1**	34.7	**59.1**	34.7

On 2 August 2005 the Directors resolved to pay Perpetual Preference Dividends of $7.3m effective 15 August 2005.

$ millions	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
10 Cash and Liquid Assets				
Cash and Cash at Bank	**52.0**	60.2	**50.7**	60.1
Cash in Transit	**0.5**	14.4	**0.5**	14.4
Total Cash and Liquid Assets	**52.5**	74.6	**51.2**	74.5
11 Due from Other Banks				
Call Deposits	**21.6**	20.2	**17.8**	4.8
Term Deposits	**499.3**	1,335.1	**149.3**	985.1
Total Due from Other Banks	**520.9**	1,355.3	**167.1**	989.9
12 Securities				
Investment Securities				
Interest Bearing Debentures	**-**	324.2	**-**	-
Less: Related Deposit	**-**	306.0	**-**	-
Net Amount	**-**	18.2	**-**	-
Floating Rate Notes	**400.0**	400.0	**-**	-
Less: Related Deposit	**344.3**	323.7	**-**	-
Net Amount	**55.7**	76.3	**-**	-
Other Investment Securities	**343.5**	345.6	**-**	-
Total Investment Securities	**399.2**	440.1	**-**	-
Other Securities				
Local Authority Securities	**5.6**	7.3	**5.6**	7.3
New Zealand Government Securities	**50.1**	23.6	**50.1**	23.6
Treasury Bills	**70.6**	570.0	**70.6**	570.0
Other Securities	**2,370.7**	1,527.6	**2,005.6**	1,130.0
Total Other Securities	**2,497.0**	2,128.5	**2,131.9**	1,730.9

Both the Interest Bearing Debentures and the Related Deposit matured in April 2005 and the debentures were used to extinguish the liability under the deposit.

The Banking Group has entered into agreements for the forward sale on or prior to December 2007 of its interest in the subsidiary that owns the Floating Rate Note investment. Under the terms of the agreement, amounts outstanding on the deposit will be deducted from the sale proceeds.

$ millions	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
13 Advances				
Loans and Other Receivables	**34,986.9**	28,797.6	**34,241.0**	27,730.8
Less: Specific Provisions for Bad and Doubtful Debts	**8.7**	8.8	**8.7**	8.8
Total Advances	**34,978.2**	28,788.8	**34,232.3**	27,722.0

Notes to the Financial Statements

For the year ended 30 June 2005

$ millions	Consolidated 2005	2004	Parent 2005	2004
14 Debt Provisions				
General Provision for Bad and Doubtful Debts				
Balance at Beginning of Year	**108.0**	88.8	**106.1**	85.5
Charged to Statement of Financial Performance	**17.4**	22.3	**18.4**	23.7
Bad Debts Recovered	**4.5**	4.5	**4.5**	4.5
	129.9	115.6	**129.0**	113.7
Less: Bad Debts Written Off	**6.6**	7.6	**6.6**	7.6
Balance at End of Year	**123.3**	108.0	**122.4**	106.1
Specific Provisions for Bad and Doubtful Debts				
Balance at Beginning of Year	**8.8**	9.5	**8.8**	9.2
Add / (Less):				
Charged to Statement of Financial Performance:				
New Provisions	**1.4**	0.3	**1.4**	0.3
Amounts Recovered	**(3.0)**	(1.8)	**(3.0)**	(1.7)
Advances Written Off	**-**	(0.7)	**-**	(0.5)
Movement in Bulk Provisions	**1.5**	1.5	**1.5**	1.5
Balance at End of Year	**8.7**	8.8	**8.7**	8.8
Total Debt Provisions	**132.0**	116.8	**131.1**	114.9
Debt Provisions Expense charged to the Statement of Financial Performance				
General Provision	**17.4**	22.3	**18.4**	23.7
Specific Provisions	**(1.6)**	(1.5)	**(1.6)**	(1.4)
Total Debt Provisions Expense charged to the Statement of Financial Performance	**15.8**	20.8	**16.8**	22.3

As at 30 June 2005, the Specific Provisions were comprised of:
(a) bulk provisions of $7.0m (30 June 2004 $8.5m) for both consolidated and parent; and
(b) provisions relating to non-accrual loans of $1.7m (30 June 2004 $0.3m) for both consolidated and parent.

$ millions	Consolidated 2005	2004	Parent 2005	2004
15 Due from Associates and Subsidiaries				
Redeemable Preference Shares				
Redeemable Preference Shares matured in April 2005	**-**	-	**-**	324.2
Less: Related Deposit	**-**	-	**-**	300.8
Net Amount	**-**	-	**-**	23.4
Redeemable Preference Shares maturing in December 2007	**-**	-	**400.0**	400.0
Less: Related Deposit	**-**	-	**339.4**	319.1
Net Amount	**-**	-	**60.6**	80.9
Other Amounts Due from Associates and Subsidiaries	**-**	-	**1,139.0**	1,470.9
Total Due from Associates and Subsidiaries	**-**	-	**1,199.6**	1,575.2

The Bank has invested in Redeemable Preference Shares and has also received deposits from various subsidiaries. On maturity, the value of the Related Deposits with capitalised interest will equate to the value of the total Redeemable Preference Shares. There are offset agreements between the parties.

Notes to the Financial Statements

For the year ended 30 June 2005

16 Investments in Associates and Subsidiaries

	%	Nature of Business	Balance Date
Associates			
Electronic Transaction Services Limited	25	EFTPOS	31 March
Interchange and Settlement Limited	11	Interchange and Settlement	31 March
Mondex New Zealand Limited	17	Smartcard Operations	31 December
Subsidiaries			
ASB Finance Limited	100	Finance	30 June
ASB Management Services Limited	100	Management and Payment Services	30 June
ASB Nominees Limited	100	Nominee Company	30 June
ASB Properties Limited	100	Property and Investment	30 June
ASB Securities Limited	100	Sharebroking	30 June
ASB Smartcards Limited	100	Investment Holding Company	30 June
Hildon Holdings Limited	100	Finance	30 June
Hildon Investments Limited	100	Finance	30 June
IDI (No.1) Limited	100	Finance	30 June
IDI (No.2) Limited	100	Finance	30 June
King's Ferry Holdings Limited	100	Finance	30 June
King's Ferry Investments Limited	100	Finance	30 June
Kiwi Home Loans (NZ) Limited	100	Lending	30 June
LB Alpha Finance Cayman Limited	25	Finance	30 November
McCaig Investments Limited	100	Finance	30 June
Netbills Limited	100	Bill Processing	30 June
Riley International Limited	100	Finance	30 June
Riley Investments Limited	100	Finance	30 June
SR Edinburgh Limited	25	Finance	31 December
St Giles Investments Limited	100	Finance	30 June
Stockbridge Holdings Limited	100	Finance	30 June
Waterloo & Victoria Limited	75	Finance	30 June
Whitcomb Company	99	Finance	31 December

All subsidiaries were incorporated in New Zealand except for LB Alpha Finance Cayman Limited, SR Edinburgh Limited and Waterloo & Victoria Limited, which were incorporated in the Cayman Islands.

Shares owned in both LB Alpha Finance Cayman Limited and SR Edinburgh Limited carry 75% of the voting rights. LB Alpha Finance Cayman Limited and SR Edinburgh Limited are consolidated as subsidiaries as the Banking Group has the ability to obtain a significant level of ownership benefits from its investment in these companies.

The consolidated financial statements also include the controlled entity Lighthouse Trust as an in-substance subsidiary. Lighthouse Trust has a balance date of 31 December.

IDDI (No.1) Limited and IDDI (No.2) Limited were placed in liquidation on 25 May 2004 and were subsequently removed from the register on 17 August 2004. This did not result in any change to the net assets of the Banking Group.

The Companies Office has given exemptions for LB Alpha Finance Cayman Limited, SR Edinburgh Limited and Whitcomb Company to maintain balance dates different to that of the Bank.

Notes to the Financial Statements

For the year ended 30 June 2005

$ millions		Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
17 Property, Plant and Equipment					
Land	Freehold	**16.1**	12.7	**14.7**	11.7
Buildings	Freehold	**21.5**	23.5	**15.4**	16.8
	Leasehold	**94.8**	79.1	**83.5**	70.5
	Less: Accumulated Depreciation	**59.4**	50.7	**49.5**	42.9
		56.9	51.9	**49.4**	44.4
Furniture and Fittings		**80.3**	75.7	**72.0**	67.4
	Less: Accumulated Depreciation	**55.3**	50.5	**47.8**	43.1
		25.0	25.2	**24.2**	24.3
Computer Equipment, Software and Office Equipment		**234.9**	213.8	**234.0**	212.9
	Less: Accumulated Depreciation	**169.0**	149.7	**168.2**	149.0
		65.9	64.1	**65.8**	63.9
Other Property, Plant and Equipment		**0.3**	0.3	**0.3**	0.3
	Less: Accumulated Depreciation	**0.2**	0.2	**0.2**	0.2
		0.1	0.1	**0.1**	0.1
Total Property, Plant and Equipment		**164.0**	154.0	**154.2**	144.4

The total of the latest Government valuations of the consolidated Freehold Land and Buildings amounted to $28.6m (30 June 2004 $20.3m). The cost of additions subsequent to those valuations amounted to $1.8m (30 June 2004 $1.2m).

$ millions	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
18 Other Assets				
Interest Receivable Accrued	**110.4**	78.0	**93.8**	69.7
Listed Company Shares	**31.7**	27.3	**31.7**	27.3
Other Current Assets	**151.0**	94.6	**95.9**	49.7
Total Other Assets	**293.1**	199.9	**221.4**	146.7

Listed Company Shares are shown net of offsetting equity derivatives. The value of these equity derivatives is shown in Note 46.

$ millions	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
19 Deferred Taxation Benefit				
Balance at Beginning of Year	**14.4**	7.6	**13.6**	8.1
Net Movements in Timing Differences During the Year	**2.8**	6.8	**2.9**	5.5
Balance at End of Year	**17.2**	14.4	**16.5**	13.6
The Deferred Taxation Benefit relates to:				
Specific Provisions for Bad and Doubtful Debts	**0.5**	1.1	**0.5**	1.1
Depreciation	**6.5**	4.5	**5.7**	3.7
Other	**10.2**	8.8	**10.3**	8.8
Total Deferred Taxation Benefit	**17.2**	14.4	**16.5**	13.6
20 Deposits				
Certificates of Deposit and Issued Paper	**10,484.0**	7,643.8	**10,484.0**	7,643.8
Retail Term Deposits	**9,616.7**	8,623.3	**9,616.7**	8,623.3
Other Deposits Bearing Interest	**10,609.8**	8,851.0	**10,609.8**	8,851.0
Deposits Not Bearing Interest	**1,248.4**	1,276.5	**1,248.4**	1,276.5
Total Deposits	**31,958.9**	26,394.6	**31,958.9**	26,394.6

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Notes to the Financial Statements

For the year ended 30 June 2005

$ millions	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
21 Due to Other Banks				
Call Deposits	**47.2**	11.1	**47.2**	11.1
Term Deposits	**4,043.8**	4,426.3	**4,040.1**	4,420.4
Total Due to Other Banks	**4,091.0**	4,437.4	**4,087.3**	4,431.5
22 Other Current Liabilities				
Interest Payable Accrued	**267.4**	200.0	**267.4**	200.2
Employee Entitlements	**36.9**	33.6	**36.9**	33.6
Provision for Income Tax Expense	**14.4**	19.8	**7.9**	6.6
Trade Accounts Payable and Other Liabilities	**158.9**	115.5	**136.0**	101.5
Total Other Current Liabilities	**477.6**	368.9	**448.2**	341.9

23 Subordinated Debt

The Bank repaid Subordinated Debt with a face value of $100.0m on 15 December 2004. The remaining Subordinated Debt, with a face value of $150.0m, was repaid on 4 February 2005.

Subordinated Debt was previously included in Lower Tier Two Capital for Capital Adequacy calculation purposes.

$ millions	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
24 Contributed Capital				
323,121,300 Ordinary Shares	**323.1**	323.1	**323.1**	323.1
550,000,000 Perpetual Preference Shares	**550.0**	200.0	**550.0**	200.0
Total Contributed Capital	**873.1**	523.1	**873.1**	523.1

Ordinary Shares

All Ordinary Shares have equal voting rights and share equally in dividends and any surplus on winding up, after the obligations to holders of ASB Perpetual Preference Shares are satisfied.

Dividends are declared subject, in all cases, to the applicable Directors' resolutions being passed.

Perpetual Preference Shares

The Bank issued 200,000,000 Perpetual Preference Shares to its immediate parent, ASB Group (Holdings) Limited on 10 December 2002 as part of a transaction with ASB Capital Limited. There was a further issue of 350,000,000 Perpetual Preference Shares to ASB Holdings Limited, the immediate parent of ASB Group (Holdings) Limited, on 21 December 2004 as part of a transaction with ASB Capital No.2 Limited. Both ASB Capital Limited and ASB Capital No.2 Limited are subsidiaries of CBA Funding (NZ) Limited, which is ultimately owned by Commonwealth Bank of Australia.

Under the first transaction, ASB Capital Limited advanced proceeds received from a public issue of the company's Perpetual Preference Shares to ASB Group (Holdings) Limited. ASB Group (Holdings) Limited in turn invested the proceeds in Perpetual Preference Shares issued by the Bank. ASB Group (Holdings) Limited, New Zealand Guardian Trust Company Limited (the "Trustee") and ASB Capital Limited are party to a Trust Deed whereby ASB Group (Holdings) Limited provides covenants to the Trustee for the benefit of holders of the ASB Capital Limited Perpetual Preference Shares and grants security over the ASB Bank Limited Perpetual Preference Shares in favour of the Trustee.

Under the second transaction, ASB Capital No.2 Limited advanced proceeds received from a public issue of the company's Perpetual Preference Shares to ASB Holdings Limited. ASB Holdings Limited in turn invested the proceeds in Perpetual Preference Shares issued by the Bank. ASB Holdings Limited, New Zealand Guardian Trust Company Limited (the "Trustee") and ASB Capital No.2 Limited are party to a Trust Deed whereby ASB Holdings Limited provides covenants to the Trustee for the benefit of holders of the ASB Capital No.2 Limited Perpetual Preference Shares and grants security over the ASB Bank Perpetual Preference Shares in favour of the Trustee.

The Perpetual Preference Shares are non-redeemable and carry limited voting rights.

The dividend payable on the first issue is based on the one year swap rate plus a margin of 1.30%. The gross dividend rate paid on the Perpetual Preference Shares on 15 November 2004 was 7.12% per annum. Rates are reset annually on 15 November or the succeeding business day. The rate was reset on 15 November 2004 to 7.98% per annum. The next dividend reset date is 15 November 2005.

Notes to the Financial Statements

For the year ended 30 June 2005

24 Contributed Capital (continued)

The dividend payable on the second issue is based on the one year swap rate plus a margin of 1.00%. The gross dividend rate paid on the Perpetual Preference Shares on 16 May 2005 was 7.65% per annum. Rates are reset annually on 15 May or the succeeding business day. The rate was reset on 16 May 2005 to 7.89% per annum. The next dividend reset date is 15 May 2006.

Dividends are payable quarterly in arrears and are non-cumulative.

In the event of the liquidation of the Bank, the payment of the issue price and cumulative dividends on the Perpetual Preference Shares ranks:

- before all rights of ordinary shareholders;
- after all rights of holders of shares of the Bank other than ordinary or preference shares; and
- after all rights of creditors of the Bank.

	Consolidated		Parent	
$ millions	**2005**	2004	**2005**	2004
25 Asset Revaluation Reserves				
Total Asset Revaluation Reserves at Beginning of Year	**16.6**	4.1	**14.2**	10.9
Revaluations	**2.0**	3.8	**1.8**	3.5
Transferred from / (to) Accumulated Surplus	**-**	8.7	**-**	(0.2)
Total Asset Revaluation Reserves at End of Year	**18.6**	16.6	**16.0**	14.2
26 Other Reserves				
Other Reserves at Beginning of Year	**-**	0.3	**-**	-
Movement during the Year	**-**	(0.3)	**-**	-
Other Reserves at End of Year	**-**	-	**-**	-
27 Accumulated Surplus				
Total Accumulated Surplus at Beginning of Year	**1,055.8**	782.4	**923.1**	678.9
Net Surplus after Taxation	**382.8**	316.8	**339.2**	278.7
Less:				
Ordinary Dividends	**43.0**	25.0	**43.0**	25.0
Perpetual Preference Dividends	**16.1**	9.7	**16.1**	9.7
Transfer to / (from) Asset Revaluation Reserves	**-**	8.7	**-**	(0.2)
Total Accumulated Surplus at End of Year	**1,379.5**	1,055.8	**1,203.2**	923.1
28 Reconciliation of Net Surplus after Taxation to Net Cash Flows from Operating Activities				
Net Surplus after Taxation	**382.8**	316.8	**339.2**	278.7
Add: Movements in Balance Sheet Items				
Interest Receivable Accrued - Increase	**(25.6)**	(14.0)	**(1.3)**	(21.6)
Interest Payable Accrued - Increase	**108.0**	37.2	**138.7**	52.9
Other Income Accrued - Increase	**(23.6)**	(12.6)	**(23.7)**	(5.8)
Operating Expenses Accrued - Increase / (Decrease)	**12.4**	10.0	**84.1**	(4.8)
Taxation Balances - Decrease	**(8.2)**	(22.8)	**(1.7)**	(0.8)
	63.0	(2.2)	**196.1**	19.9
Add: Non-Cash Items				
Bad and Doubtful Debts	**20.3**	25.3	**21.3**	26.7
Depreciation	**35.7**	33.7	**34.8**	31.9
Net Loss / (Gain) on Sale of Property, Plant and Equipment	**0.2**	(2.8)	**0.2**	-
	56.2	56.2	**56.3**	58.6
Net Cash Flows from Operating Activities	**502.0**	370.8	**591.6**	357.2

Notes to the Financial Statements

For the year ended 30 June 2005

$ millions	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
29 Reconciliation of Cash and Cash Equivalents to the Statement of Financial Position				
Cash and Liquid Assets	**52.5**	74.6	**51.2**	74.5
Call Deposits Due from Other Banks	**21.6**	20.2	**17.8**	4.8
Call Deposits Due to Other Banks	**(47.2)**	(11.1)	**(47.2)**	(11.1)
Total Cash and Cash Equivalents at End of Year	**26.9**	83.7	**21.8**	68.2

30 Imputation and Policyholder Credit Accounts

With effect from 1 April 2005, the Bank and some of its subsidiaries formed an imputation group with other members of the Commonwealth Bank of Australia Group ("ICA Group"). The closing imputation credit account balances presented below represent the imputation credits available to the ICA Group.

Income tax flows and imputation credit movements are reported on an ICA Group basis across all members of the ICA Group. The credits are available to shareholders (and shareholders of other ICA Group members) through the Bank's inclusion in the ICA Group. The comparatives presented in the imputation credit account below are based on the Bank's previous grouping for imputation purposes.

One of the associate companies in the ICA Group is a life insurance company. Therefore, the ICA Group is required to maintain a policyholder credit account ("PCA"). The closing balance in the PCA below can be transferred back to the ICA Group's imputation credit account and, therefore, is available to shareholders (and shareholders of other ICA Group members).

$ millions	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
Imputation Credit Account				
Balance at Beginning of Year	**17.7**	(3.1)	**-**	-
Opening Balances of Associates Entering the ICA Group	**102.1**	-	**-**	-
Net Income Tax Paid	**114.6**	28.9	**-**	-
Transfer from Group Policyholder Credit Account	**0.5**	-	**-**	-
Imputation Credits Attached to Dividends Received	**33.0**	28.1	**-**	-
Less: Imputation Credits Attached to Dividends Paid	**11.9**	36.2	**-**	-
Balance at End of Year	**256.0**	17.7	**-**	-

Dividends paid by companies may include imputation credits representing the New Zealand taxation already paid by the company or tax group on surpluses distributed by way of dividends. New Zealand resident shareholders may claim a tax credit to the value of the imputation credit attached to the dividends.

Policyholder Credit Account

The balance of the PCA can be transferred back to the above imputation credit account. Accordingly, credits in the PCA are available to the shareholders (and shareholders of other members of the ICA Group) through the Bank's inclusion in the ICA Group.

$ millions	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
Balance at Beginning of Year	**-**	-	**-**	-
Opening Balances of Associates Entering the Consolidated Group	**69.5**	-	**-**	-
Less: Transfer to Imputation Credit Account	**0.5**	-	**-**	-
Balance at End of Year	**69.0**	-	**-**	-

Notes to the Financial Statements

For the year ended 30 June 2005

31 Related Party Transactions and Balances

During the year ended 30 June 2005, the Bank has entered into, or had in place various financial transactions with members of the Commonwealth Bank Group, and other related parties. In all cases, these arrangements were conducted on an arm's length basis and on normal commercial terms, and within the Bank's approved policies. Due to the transactional nature of banking, it is the opinion of the Directors that disclosure of total transactions processed for the year ended 30 June 2005 does not add any useful information, with the exception of:

- Commonwealth Bank of Australia provides guarantees over various lending offered by the Bank to the value of $30.0m (30 June 2004 $30.0m).
- Unrealised losses on hedges held with the Commonwealth Bank Group were $19.8m (30 June 2004 $13.4m gain), the Commonwealth Bank of Australia New Zealand Life Insurance Group $19.2m (30 June 2004 $0.3m) and the Trusts managed or administered by the Commonwealth Bank of Australia New Zealand Life Insurance Group $4.0m (30 June 2004 $0.5m gain).
- Payments of $12.5m (30 June 2004 $74.3m) were made between the Bank and Related Parties, relating to the utilisation of tax related items.
- A payment of $11.6m (30 June 2004 $9.1m) was made to the Commonwealth Bank of Australia New Zealand Life Insurance Group, for the origination of mortgages.
- A payment of $2.1m (30 June 2004 $3.8m) was made to Commonwealth Bank Group, for leasing of equipment.
- A payment of $1.7m (30 June 2004 $1.0m) was made to Commonwealth Bank Group, for arrangement fees.
- Receipts of $3.5m (30 June 2004 Nil) were received from the Commonwealth Bank Group, for administrative functions provided by the Bank.
- Receipts of $5.9m (30 June 2004 $5.9m) were received from the Commonwealth Bank of Australia New Zealand Life Insurance Group, for administrative functions provided by the Bank.
- Receipts of $12.0m (30 June 2004 $11.4m) were received from the Commonwealth Bank of Australia New Zealand Life Insurance Group, for insurance commission and profit share.
- Receipts of $17.6m (30 June 2004 $18.3m) were received from the Commonwealth Bank of Australia New Zealand Life Insurance Group, for distribution of fund management services.
- Commonwealth Bank of Australia New Zealand Life Insurance Group manages and administers a number of Superannuation, Unit and Other Trusts. These Trusts hold some of their funds with the Bank. Total deposits held with the Bank as at 30 June 2005 were $711.5m (30 June 2004 $559.2m). These deposits are held on normal commercial terms and conditions.
- Dealings with Directors and Parties Related to Directors: Payments of $0.4m (30 June 2004 $0.7m) were made to Research Solutions Limited for services rendered.
- In addition, the Bank provides administrative functions to some subsidiaries and related companies for which no payments have been made.

	2005		2004	
$ millions	**Assets**	**Liabilities**	Assets	Liabilites
Related Party Balances				
Commonwealth Bank Group (100% Ultimate Shareholder)	**32.5**	**4,081.3**	46.3	4,561.1
Commonwealth Bank of Australia New Zealand Life Insurance Group (Subsidiaries of Commonwealth Bank Group)	**3.1**	**271.9**	27.0	272.0
ASB Holdings Limited (100% Ultimate New Zealand Shareholder)	**-**	**48.9**	-	9.4
ASB Group (Holdings) Limited (100% Immediate New Zealand Shareholder)	**-**	**3.1**	-	26.0
ASB Group Limited (Subsidiary of Commonwealth Bank Group)	**-**	**24.2**	-	18.8
ASB Bank Provident Savings Fund (Staff Superannuation Scheme)	**-**	**-**	-	0.1

Commonwealth Bank of Australia New Zealand Life Insurance Group includes Colonial Group and ASB Group (Life) Limited Group of Companies.

Notes to the Financial Statements

For the year ended 30 June 2005

31 Related Party Transactions and Balances (continued)

Off Balance Sheet Items

As at 30 June 2005, the Bank has in place interest rate swaps with the Commonwealth Bank Group with a face value of $3,023.6m (30 June 2004 $2,360.1m), currency swaps with a face value of $633.7m (30 June 2004 $1,161.2m) and foreign exchange contracts with a face value of $1,596.9m (30 June 2004 $420.8m). No forward rate agreements were in place (30 June 2004 face value $1,000.0m).

The Bank had foreign exchange contracts with the ASB Group (Life) Limited Group of Companies with a face value of $1,822.7m (30 June 2004 $87.4m).

The Bank had foreign exchange contracts with Trusts managed or administered by the Commonwealth Bank of Australia New Zealand Life Insurance Group with a face value of $613.3m (30 June 2004 $259.6m).

32 Loans To / Deposits From Directors

Loans to Directors

As at 30 June 2005, the aggregate amount of loans to Directors of the Banking Group, their spouses, dependants, trusts or entities in which any of these persons have an interest of not less than 10%, was $7.4m (30 June 2004 $5.4m).

All loans were made in the ordinary course of business of the Bank and on an arm's length basis and on normal commercial terms and conditions. The interest rates applicable were between 6.75% and 19.25%. Terms of repayment range between variable, fixed rates up to five years, and interest only loans, all of which have been in accordance with the Bank's lending policies.

Directors: R. Boven, G.H. Burrett, P.S. Hall, G.J. Judd, P.J. Muggleston, T.J. Preston, D. Redman, J.M.R. Syme, C.G. Wakefield, L.A. Wood.

Deposits from Directors

The aggregate amount payable by the Banking Group to Directors as at 30 June 2005 was $2.1m (30 June 2004 $1.4m). The amount payable consists of on call, savings, cheque, term investments and cash management balances, all lodgements being made and conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

Interest rates are from 0% to 7.03%, terms of repayment ranging between on-call and six months.

Directors: R. Boven, G.H. Burrett, J.W. Duncan, P.S. Hall, G.J. Judd, P.J. Muggleston, T.J. Preston, D. Redman, J.M.R. Syme, C.G. Wakefield, L.A. Wood.

Notes to the Financial Statements

For the year ended 30 June 2005

$ millions	2005 Notional Amount	2005 Credit Equivalent	2004 Notional Amount	2004 Credit Equivalent
33 Contingent Liabilities, Credit and Capital Commitments				
		Consolidated		
(a) Credit and Capital Commitments				
Lending Commitments Approved but Not Yet Advanced	**7,244.3**	**743.2**	5,233.8	625.4
Capital Expenditure Commitments	**1.9**	**1.9**	7.5	7.5
Total Credit and Capital Commitments	**7,246.2**	**745.1**	5,241.3	632.9
		Parent		
Credit and Capital Commitments				
Lending Commitments Approved but Not Yet Advanced	**7,407.3**	**743.2**	5,263.8	625.4
Capital Expenditure Commitments	**1.9**	**1.9**	7.5	7.5
Total Credit and Capital Commitments	**7,409.2**	**745.1**	5,271.3	632.9
		Consolidated		
(b) Contingent Liabilities				
Guarantees	**30.4**	**30.4**	30.4	30.4
Standby Letters of Credit	**79.9**	**79.9**	61.5	61.5
Other Contingent Liabilities	**6.8**	**3.4**	69.7	34.8
Other Credit Facilities	**30.8**	**10.1**	31.6	10.6
Total Contingent Liabilities	**147.9**	**123.8**	193.2	137.3
		Parent		
Contingent Liabilities				
Guarantees	**41.2**	**35.7**	34.4	32.4
Standby Letters of Credit	**79.9**	**79.9**	61.5	61.5
Other Contingent Liabilities	**3.8**	**1.9**	23.4	11.7
Other Credit Facilities	**30.8**	**10.1**	31.6	10.6
Total Contingent Liabilities	**155.7**	**127.6**	150.9	116.2

(c) The Bank guarantees cross currency swaps transacted by Waterloo and Victoria Limited. The value of this guarantee is recognised as the risk weighted exposure of the cross currency swaps which as at 30 June 2005 was $10.8m (30 June 2004 $4.0m).

As previously disclosed in the General Disclosure Statement for the six months ended 31 December 2004, the New Zealand Inland Revenue Department ("IRD") is carrying out an industry-wide review of structured finance transactions. On 30 March 2005, the Bank received Notices of Proposed Adjustments ("NOPAs") from the IRD in respect of structured finance transactions for the years ended 30 June 2001 to 30 June 2003.

A NOPA is not an assessment of tax. It is the first step in New Zealand's tax disputes process, under which the IRD formally advises a taxpayer that they are proposing to amend a tax assessment.

The adjustments proposed by the IRD are for the 2001 to 2003 years and would result in an estimated potential tax liability of $72.7m. If applied up to 30 June 2005, an additional $30.3m would be implied.

Should NOPAs also be issued to the Bank for all similar transactions, and for all tax years from 2001 onward, the adjustments proposed by the IRD would result in a net potential tax liability for all transactions for $172.2m up to 30 June 2005 (including tax effected use of money interest charges).

The Bank has taken extensive independent tax advice and is confident the tax treatment it has adopted for the transactions to which the NOPAs relate is correct. Accordingly, the Bank has not created any provisions for a tax liability as a result of the issue of the NOPAs.

Also as disclosed in the 31 December 2004 General Disclosure Statement, the New Zealand Commerce Commission has publicly notified its intention to prosecute a number of credit and debit card issuers for alleged misleading practices under the Fair Trading Act 1986 in relation to the disclosure of international currency conversion fees. The Bank was served with proceedings on 5 April 2005. No provisions have been made for potential liabilities.

Notes to the Financial Statements

For the year ended 30 June 2005

$ millions	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004

34 Leasing and other Commitments

	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
Leasing Commitments				
The following non-cancellable operating lease commitments existed at the end of the year:				
Within One Year of Balance Date	**25.8**	31.4	**23.4**	28.2
Between One and Two Years	**22.7**	23.2	**20.2**	20.3
Between Two and Five Years	**50.7**	53.9	**43.8**	45.9
Over Five Years	**41.1**	48.6	**34.6**	38.6
Total Leasing Commitments	**140.3**	157.1	**122.0**	133.0
Other Commitments				
Other Commitments	**3.4**	2.9	**3.4**	2.9
Total Other Commitments	**3.4**	2.9	**3.4**	2.9

35 Material Foreign Currency Balances

Material Assets and Liabilities denominated in foreign currencies recognised in these financial statements, and Net Open Positions were:

Consolidated		Exchange Rate	Assets NZ $m	Liabilities NZ $m	Net Open Position NZ $m
As at 30 June 2005	**US Dollar**	**0.7011**	**498.4**	**4,626.9**	**1.5**
	Australian Dollar	**0.9172**	**377.9**	**387.3**	**9.2**
	Sterling	**0.3879**	**4.5**	**156.1**	**1.8**
	Japanese Yen	**77.3730**	**12.3**	**784.9**	**-**
	EURO	**0.5801**	**259.5**	**1,909.2**	**0.1**
	Swiss Franc	**0.8979**	**3.0**	**862.3**	**(0.1)**
As at 30 June 2004	US Dollar	0.6278	658.5	3,500.1	(1.2)
	Australian Dollar	0.9114	359.2	608.6	0.6
	Sterling	0.3472	1.9	78.7	-
	Japanese Yen	68.1684	15.2	1,049.2	(0.1)
	EURO	0.5194	281.2	954.4	0.6
	Swiss Franc	0.7940	0.1	752.0	-

Parent		Exchange Rate	Assets NZ $m	Liabilities NZ $m	Net Open Position NZ $m
As at 30 June 2005	**US Dollar**	**0.7011**	**35.9**	**4,623.3**	**1.5**
	Australian Dollar	**0.9172**	**34.5**	**387.3**	**9.2**
	Sterling	**0.3879**	**4.5**	**156.1**	**1.8**
	Japanese Yen	**77.3730**	**12.3**	**784.9**	**-**
	EURO	**0.5801**	**3.1**	**1,909.2**	**0.1**
	Swiss Franc	**0.8979**	**3.0**	**862.3**	**(0.1)**
As at 30 June 2004	US Dollar	0.6278	181.9	3,493.7	(1.2)
	Australian Dollar	0.9114	13.6	608.6	0.6
	Sterling	0.3472	1.9	78.7	-
	Japanese Yen	68.1684	15.2	1,049.2	(0.1)
	EURO	0.5194	4.2	954.4	0.6
	Swiss Franc	0.7940	0.1	752.0	-

Differences between total monetary assets and total monetary liabilities in individual currencies are covered by contracts with other parties and / or are controlled within internal policy limits.

Notes to the Financial Statements

For the year ended 30 June 2005

$ millions	2005 Carrying Amount	2005 Fair Value	2004 Carrying Amount	2004 Fair Value
36 Fair Value of Financial Instruments				
Balance Sheet Items	**Consolidated**			
Cash and Liquid Assets	**52.5**	**52.5**	74.6	74.6
Due from Other Banks	**520.9**	**520.9**	1,355.3	1,355.3
Investment Securities	**399.2**	**409.8**	440.1	451.2
Other Securities	**2,497.0**	**2,497.0**	2,128.5	2,128.5
Advances	**34,978.2**	**34,860.8**	28,788.8	28,654.8
Other Assets	**293.1**	**293.1**	199.9	199.9
Deposits	**31,958.9**	**31,961.6**	26,394.6	26,391.2
Due to Other Banks	**4,091.0**	**4,091.0**	4,437.4	4,437.4
Due to Associates and Subsidiaries	**0.2**	**0.2**	0.2	0.2
Other Current Liabilities	**477.6**	**477.6**	368.9	368.9
Subordinated Debt	**-**	**-**	251.1	251.8
Balance Sheet Items	**Parent**			
Cash and Liquid Assets	**51.2**	**51.2**	74.5	74.5
Due from Other Banks	**167.1**	**167.1**	989.9	989.9
Other Securities	**2,131.9**	**2,131.9**	1,730.9	1,730.9
Advances	**34,232.3**	**34,115.8**	27,722.0	27,589.6
Due from Associates and Subsidiaries	**1,199.6**	**1,210.3**	1,575.2	1,586.2
Other Assets	**221.4**	**221.4**	146.7	146.7
Deposits	**31,958.9**	**31,961.6**	26,394.6	26,391.2
Due to Other Banks	**4,087.3**	**4,087.3**	4,431.5	4,431.5
Due to Associates and Subsidiaries	**167.0**	**167.0**	221.1	221.1
Other Current Liabilities	**448.2**	**448.2**	341.9	341.9
Subordinated Debt	**-**	**-**	251.1	251.8

Off Balance Sheet Items

There are no fair values for Direct Credit Substitutes, Trade and Performance Related Items and Commitments as no secondary market exists.

Refer to Note 46 for details of Fair Values of Derivative Financial Instruments.

37 Financial Reporting by Segments

The Bank operates predominantly in the banking industry within New Zealand. Notes 40 and 41 show the geographical distribution of credit exposures and funding within New Zealand.

Notes to the Financial Statements

For the year ended 30 June 2005

$ millions	Weighted Average Interest Rate %	Within 6 Months	Between 6 – 12 Months	Between 1 – 2 Years	Between 2 – 5 Years	Over 5 Years	Total
				Consolidated			
38 Interest Rate Repricing Schedule							
As at 30 June 2005							
Monetary Assets							
Cash and Liquid Assets	**-**	**52.5**	**-**	**-**	**-**	**-**	**52.5**
Due from Other Banks	**8.8**	**520.9**	**-**	**-**	**-**	**-**	**520.9**
Investment Securities*	**5.0**	**343.5**	**-**	**-**	**55.7**	**-**	**399.2**
Other Securities	**6.8**	**2,405.3**	**46.6**	**3.7**	**30.4**	**11.0**	**2,497.0**
Advances	**7.7**	**15,387.8**	**6,919.5**	**10,207.9**	**2,454.9**	**8.1**	**34,978.2**
Other Monetary Assets	**-**	**293.1**	**-**	**-**	**-**	**-**	**293.1**
Total Monetary Assets		**19,003.1**	**6,966.1**	**10,211.6**	**2,541.0**	**19.1**	**38,740.9**
Monetary Liabilities							
Deposits	**4.9**	**30,020.0**	**1,278.4**	**218.5**	**426.7**	**15.3**	**31,958.9**
Due to Other Banks	**6.8**	**4,090.9**	**0.1**	**-**	**-**	**-**	**4,091.0**
Due to Associates and Subsidiaries	**-**	**0.2**	**-**	**-**	**-**	**-**	**0.2**
Other Current Liabilities	**-**	**477.6**	**-**	**-**	**-**	**-**	**477.6**
Subordinated Debt	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Monetary Liabilities		**34,588.7**	**1,278.5**	**218.5**	**426.7**	**15.3**	**36,527.7**
Off Balance Sheet Items		**14,279.3**	**(4,111.3)**	**(9,794.2)**	**(390.3)**	**16.5**	**-**
As at 30 June 2004							
Monetary Assets							
Cash and Liquid Assets	-	74.6	-	-	-	-	74.6
Due from Other Banks	6.4	1,355.3	-	-	-	-	1,355.3
Investment Securities*	5.1	345.6	18.2	-	76.3	-	440.1
Other Securities	5.7	2,011.7	65.7	1.2	26.2	23.7	2,128.5
Advances	7.1	14,850.2	4,494.1	6,284.1	3,151.1	9.3	28,788.8
Other Monetary Assets	-	199.9	-	-	-	-	199.9
Total Monetary Assets		18,837.3	4,578.0	6,285.3	3,253.6	33.0	32,987.2
Monetary Liabilities							
Deposits	3.9	24,598.2	1,246.6	377.4	156.5	15.9	26,394.6
Due to Other Banks	5.7	4,437.3	0.1	-	-	-	4,437.4
Due to Associates and Subsidiaries	-	0.2	-	-	-	-	0.2
Other Current Liabilities	-	368.9	-	-	-	-	368.9
Subordinated Debt	7.2	251.1	-	-	-	-	251.1
Total Monetary Liabilities		29,655.7	1,246.7	377.4	156.5	15.9	31,452.2
Off Balance Sheet Items		8,323.7	(1,762.5)	(5,088.3)	(1,436.6)	(36.3)	-

**Offset arrangements and Imputation Credits result in a nominal interest rate that does not reflect the actual value of the investment (refer to Note 2).*

> Notes to the Financial Statements

For the year ended 30 June 2005

$ millions	Weighted Average Interest Rate %	Within 6 Months	Between 6 – 12 Months	Between 1 – 2 Years	Between 2 – 5 Years	Over 5 Years	Total
				Parent			
38 Interest Rate Repricing Schedule (continued)							
As at 30 June 2005							
Monetary Assets							
Cash and Liquid Assets	-	**51.2**	-	-	-	-	**51.2**
Due from Other Banks	**6.6**	**167.1**	-	-	-	-	**167.1**
Other Securities	**7.1**	**2,040.2**	**46.6**	**3.7**	**30.4**	**11.0**	**2,131.9**
Advances	**7.8**	**14,775.9**	**6,860.7**	**10,146.0**	**2,441.6**	**8.1**	**34,232.3**
Due from Associates and Subsidiaries*	**3.7**	**1,139.0**	-	-	**60.6**	-	**1,199.6**
Other Monetary Assets	-	**221.4**	-	-	-	-	**221.4**
Total Monetary Assets		**18,394.8**	**6,907.3**	**10,149.7**	**2,532.6**	**19.1**	**38,003.5**
Monetary Liabilities							
Deposits	**4.9**	**30,020.0**	**1,278.4**	**218.5**	**426.7**	**15.3**	**31,958.9**
Due to Other Banks	**6.8**	**4,087.2**	**0.1**	-	-	-	**4,087.3**
Due to Associates and Subsidiaries	**0.5**	**167.0**	-	-	-	-	**167.0**
Other Current Liabilities	-	**448.2**	-	-	-	-	**448.2**
Subordinated Debt	-	-	-	-	-	-	-
Total Monetary Liabilities		**34,722.4**	**1,278.5**	**218.5**	**426.7**	**15.3**	**36,661.4**
Off Balance Sheet Items		**14,201.7**	**(4,068.0)**	**(9,754.7)**	**(395.5)**	**16.5**	**-**
As at 30 June 2004							
Monetary Assets							
Cash and Liquid Assets	-	74.5	-	-	-	-	74.5
Due from Other Banks	5.1	989.9	-	-	-	-	989.9
Other Securities	5.8	1,614.1	65.7	1.2	26.2	23.7	1,730.9
Advances	7.2	14,003.0	4,374.4	6,213.0	3,122.4	9.3	27,722.1
Due from Associates and Subsidiaries*	4.0	1,470.9	-	23.4	80.9	-	1,575.2
Other Monetary Assets	-	146.7	-	-	-	-	146.7
Total Monetary Assets		18,299.1	4,440.1	6,237.6	3,229.5	33.0	32,239.3
Monetary Liabilities							
Deposits	3.9	24,598.2	1,246.6	377.4	156.5	15.9	26,394.6
Due to Other Banks	5.7	4,431.4	0.1	-	-	-	4,431.5
Due to Associates and Subsidiaries	0.2	221.1	-	-	-	-	221.1
Other Current Liabilities	-	341.9	-	-	-	-	341.9
Subordinated Debt	7.2	251.1	-	-	-	-	251.1
Total Monetary Liabilities		29,843.7	1,246.7	377.4	156.5	15.9	31,640.2
Off Balance Sheet Items		8,327.8	(1,807.6)	(5,080.3)	(1,403.6)	(36.3)	-

** Offset arrangements and Imputation Credits result in a nominal interest rate that does not reflect the actual value of the investment (refer to Note 2).*

Notes to the Financial Statements

For the year ended 30 June 2005

39 Capital Adequacy

$ millions	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
Capital				
Tier One Capital				
Issued and Fully Paid-up Ordinary Share Capital	**323.1**	323.1	**323.1**	323.1
Perpetual Fully Paid-up Non-Cumulative Preference Shares*	**550.0**	200.0	**508.8**	200.0
Revenue and Similar Reserves at Beginning of Year	**1,055.8**	782.4	**923.1**	678.9
Current Year's Accumulated Surplus	**323.7**	273.4	**280.1**	244.2
Total Tier One Capital	**2,252.6**	1,578.9	**2,035.1**	1,446.2
Tier Two Capital (Upper)				
General Provision for Bad and Doubtful Debts	**123.3**	108.0	**122.4**	106.1
Perpetual Fully Paid-up Non-Cumulative Preference Shares*	**-**	-	**41.2**	-
Asset Revaluation Reserves	**18.6**	16.6	**16.0**	14.2
Total Tier Two Capital (Upper)	**141.9**	124.6	**179.6**	120.3
Tier Two Capital (Lower)				
Term Subordinated Debt	**-**	251.1	**-**	251.1
Total Tier Two Capital (Lower)	**-**	251.1	**-**	251.1
Total Capital	**2,394.5**	1,954.6	**2,214.7**	1,817.6
Deduction for Investments in Subsidiaries not Wholly Owned or Funded	**-**	-	**3.5**	3.5
Total Capital	**2,394.5**	1,954.6	**2,211.2**	1,814.1
Risk Weighted Exposures				
Total Balance Sheet Exposures	**22,508.4**	18,546.6	**23,823.5**	20,017.6
Total Off Balance Sheet Exposures	**754.7**	652.6	**735.6**	613.2
Total Risk Weighted Exposures	**23,263.1**	19,199.2	**24,559.1**	20,630.8
Tier One Capital expressed as a percentage of Total Risk Weighted Exposures	**9.68%**	8.22%	**8.29%**	7.01%
Minimum Tier One Capital per the Bank's Conditions of Registration	**4.00%**	4.00%	**4.00%**	4.00%
Total Capital expressed as a percentage of Total Risk Weighted Exposures	**10.29%**	10.18%	**9.00%**	8.79%
Minimum Total Capital per the Bank's Conditions of Registration	**8.00%**	8.00%	**8.00%**	8.00%

** Under the Reserve Bank of New Zealand Capital Adequacy Framework, Perpetual Non-Cumulative Preference Shares may not constitute more than 25% of Tier One Capital. The remainder of the Perpetual Non-Cumulative Preference Shares have been categorised as Upper Tier Two Capital Instruments.*

The Subordinated Debt previously categorised as Lower Tier Two Capital was repaid during the year.

Notes to the Financial Statements

For the year ended 30 June 2005

39 Capital Adequacy (continued)

Risk Weighted Exposures

As at 30 June 2005

	Consolidated Principal Amount $ millions	Risk Weight %	Risk Weighted Exposure $ millions
Balance Sheet Exposures			
Cash and Short Term Claims on Government	358.4	-	-
Long Term Claims on Government	1,511.5	10	151.2
Claims on Banks	2,512.7	20	502.5
Claims on Public Sector Entities	67.1	20	13.4
Claims Secured by Residential Mortgages	25,042.1	50	12,521.1
Other	9,320.2	100	9,320.2
Non-risk Weighted Assets	110.2	-	-
Total Balance Sheet Exposures	38,922.2		22,508.4
(excludes General Provision for Bad and Doubtful Debts)			

	Principal Amount $ millions	Credit Conversion Factor %	Credit Equivalent Amount $ millions	Average Counterparty Risk Weight %	Risk Weighted Exposure $ millions
Off Balance Sheet Exposures					
Direct Credit Substitutes	110.3	100	110.3	100	110.3
Commitments with Certain Drawdown	1.9	100	1.9	100	1.9
Underwriting and Sub-underwriting Facilities	3.0	50	1.5	100	1.5
Transaction Related Contingent Items	16.9	50	8.5	100	8.5
Short Term, Self-liquidating Trade Related Contingencies	17.7	20	3.5	100	3.5
Other Commitments to Provide Financial Services Which Have an Original Maturity of One Year or More	1,486.4	50	743.2	64	475.5
Other Commitments with an Original Maturity of Less Than One Year or Which can be Unconditionally Cancelled At Any Time	5,757.9	-	-	-	-
Market Related Contracts (current exposure):					
Foreign Exchange Contracts	15,637.7	2.9	459.9	24	112.0
Interest Rate Contracts	32,750.3	0.5	166.4	23	38.5
Other	31.7	9.5	3.0	100	3.0
Total Off Balance Sheet Exposures					754.7
Total Risk Weighted Exposures					23,263.1

Notes to the Financial Statements

For the year ended 30 June 2005

39 Capital Adequacy (continued)

Risk Weighted Exposures

As at 30 June 2004

	Consolidated Principal Amount $ millions	Risk Weight %	Risk Weighted Exposure $ millions
Balance Sheet Exposures			
Cash and Short Term Claims on Government	1,059.1	-	-
Long Term Claims on Government	1,340.2	10	134.0
Claims on Banks	2,234.0	20	446.8
Claims on Public Sector Entities	70.7	20	14.1
Claims Secured by Residential Mortgages	20,937.6	50	10,468.8
Other	7,482.9	100	7,482.9
Non-risk Weighted Assets	31.2	-	-
Total Balance Sheet Exposures	33,155.7		18,546.6
(excludes General Provision for Bad and Doubtful Debts)			

	Principal Amount $ millions	Credit Conversion Factor %	Credit Equivalent Amount $ millions	Average Counterparty Risk Weight %	Risk Weighted Exposure $ millions
Off Balance Sheet Exposures					
Direct Credit Substitutes	91.9	100	91.9	100	91.9
Commitments with Certain Drawdown	7.5	100	7.5	100	7.5
Underwriting and Sub-underwriting Facilities	66.3	50	33.2	100	33.2
Transaction Related Contingent Items	17.5	50	8.8	100	8.8
Short Term, Self-liquidating Trade Related Contingencies	17.5	20	3.5	100	3.5
Other Commitments to Provide Financial Services Which Have an Original Maturity of One Year or More	1,250.8	50	625.4	67	418.3
Other Commitments with an Original Maturity of Less Than One Year or Which can be Unconditionally Cancelled At Any Time	3,983.0	-	-	-	-
Market Related Contracts (current exposure):					
Foreign Exchange Contracts	10,328.0	2.5	259.1	22	58.2
Interest Rate Contracts	28,612.1	0.4	110.5	27	29.6
Other	27.3	6.0	1.6	100	1.6
Total Off Balance Sheet Exposures					652.6
Total Risk Weighted Exposures					19,199.2

Notes to the Financial Statements

For the year ended 30 June 2005

39 Capital Adequacy (continued)

Risk Weighted Exposures

As at 30 June 2005

	Parent Principal Amount $ millions	Risk Weight %	Risk Weighted Exposure $ millions
Balance Sheet Exposures			
Cash and Short Term Claims on Government	190.1	-	-
Long Term Claims on Government	792.8	10	79.3
Claims on Banks	1,880.4	20	376.1
Claims on Public Sector Entities	67.1	20	13.4
Claims Secured by Residential Mortgages	25,023.3	50	12,511.7
Other	10,843.0	100	10,843.0
Non-risk Weighted Assets	79.4	-	-
Total Balance Sheet Exposures	38,876.1		23,823.5

(excludes General Provision for Bad and Doubtful Debts)

	Principal Amount $ millions	Credit Conversion Factor %	Credit Equivalent Amount $ millions	Average Counterparty Risk Weight %	Risk Weighted Exposure $ millions
Off Balance Sheet Exposures					
Direct Credit Substitutes	110.3	100	110.3	100	110.3
Commitments with Certain Drawdown	1.9	100	1.9	100	1.9
Transaction Related Contingent Items	27.7	50	13.8	100	13.8
Short Term, Self-liquidating Trade Related Contingencies	17.7	20	3.5	100	3.5
Other Commitments to Provide Financial Services Which Have an Original Maturity of One Year or More	1,486.4	50	743.2	64	475.5
Other Commitments with an Original Maturity of Less Than One Year or Which can be Unconditionally Cancelled At Any Time	5,920.9	-	-	-	-
Market Related Contracts (current exposure):					
Foreign Exchange Contracts	14,144.3	2.5	351.2	25	89.0
Interest Rate Contracts	32,533.2	0.5	165.3	23	38.6
Other	31.7	9.5	3.0	100	3.0
Total Off Balance Sheet Exposures					735.6
Total Risk Weighted Exposures					24,559.1

Notes to the Financial Statements

For the year ended 30 June 2005

39 Capital Adequacy (continued)

Risk Weighted Exposures

As at 30 June 2004

	Parent Principal Amount $ millions	Parent Risk Weight %	Parent Risk Weighted Exposure $ millions
Balance Sheet Exposures			
Cash and Short Term Claims on Government	659.0	-	-
Long Term Claims on Government	841.3	10	84.1
Claims on Banks	1,529.8	20	306.0
Claims on Public Sector Entities	70.7	20	14.1
Claims Secured by Residential Mortgages	20,934.3	50	10,467.2
Other	9,146.2	100	9,146.2
Non-risk Weighted Assets	25.4	-	-
Total Balance Sheet Exposures	33,206.7		20,017.6
(excludes General Provision for Bad and Doubtful Debts)			

	Principal Amount $ millions	Credit Conversion Factor %	Credit Equivalent Amount $ millions	Average Counterparty Risk Weight %	Risk Weighted Exposure $ millions
Off Balance Sheet Exposures					
Direct Credit Substitutes	91.9	100	91.9	100	91.9
Commitments with Certain Drawdown	7.5	100	7.5	100	7.5
Underwriting and Sub-underwriting Facilities	20.0	50	10.0	100	10.0
Transaction Related Contingent Items	21.5	50	10.8	100	10.8
Short Term, Self-liquidating Trade Related Contingencies	17.5	20	3.5	100	3.5
Other Commitments to Provide Financial Services Which Have an Original Maturity of One Year or More	1,250.8	50	625.4	67	418.3
Other Commitments with an Original Maturity of Less Than One Year or Which can be Unconditionally Cancelled At Any Time	4,013.0	-	-	-	-
Market Related Contracts (current exposure):					
Foreign Exchange Contracts	8,826.6	2.1	184.0	22	39.9
Interest Rate Contracts	28,663.7	0.4	109.4	27	29.7
Other	27.3	6.0	1.6	100	1.6
Total Off Balance Sheet Exposures					613.2
Total Risk Weighted Exposures					20,630.8

Notes to the Financial Statements

For the year ended 30 June 2005

$ millions	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004

40 Concentrations of Credit Exposures

	Concentration by Industry			
Agricultural, Forestry and Fishing	**3,622.3**	3,008.7	**3,622.3**	3,008.7
Government and Public Authorities	**327.1**	932.8	**191.3**	783.9
Financial, Investments and Insurance	**9,581.6**	7,103.8	**9,387.2**	7,217.4
Utilities	**113.3**	67.4	**113.3**	67.4
Transport and Storage	**181.4**	175.9	**181.4**	175.9
Housing	**21,969.7**	19,540.4	**21,623.8**	18,873.6
Construction	**299.3**	214.8	**299.3**	214.8
Personal	**418.1**	370.1	**418.1**	370.1
Other Commercial and Industrial	**1,882.5**	1,298.8	**1,882.5**	1,298.8
Total Credit Exposures by Industry	**38,395.3**	32,712.7	**37,719.2**	32,010.6

Cash and Liquid Assets, Investments in Associates and Subsidiaries, Property, Plant and Equipment, Other Assets and Deferred Taxation Benefit have been excluded from the above analysis on the basis that any credit exposure is insignificant or Nil. Off Balance Sheet Credit Equivalent Exposures as at 30 June 2005 of $1,498.2m consolidated and $1,392.2m parent (30 June 2004 $1,141.5m consolidated and $1,044.1m parent) were also excluded.

	Concentration by Geographic Region			
Auckland	**20,908.4**	17,513.0	**21,905.5**	18,322.1
Rest of New Zealand	**14,069.6**	11,275.4	**13,914.4**	10,967.3
Overseas	**0.2**	0.3	**0.2**	0.3
Uncategorised Exposures	**3,417.1**	3,924.0	**1,899.1**	2,720.9
Total Credit Exposures by Geographic Region	**38,395.3**	32,712.7	**37,719.2**	32,010.6

As at balance date Uncategorised Exposures included Due from Other Banks, Investment Securities and Other Securities. The nature of these assets makes them inappropriate to categorise geographically. Unrecognised credit equivalent exposures are excluded as per the industry segmentation above.

41 Concentrations of Funding

	Concentration by Industry			
Agricultural, Forestry and Fishing	**352.8**	251.7	**352.8**	251.7
Government and Public Authorities	**714.6**	466.4	**714.6**	466.4
Financial, Investments and Insurance	**19,059.1**	15,771.9	**19,055.4**	15,766.0
Utilities	**36.6**	42.2	**36.6**	42.2
Transport and Storage	**75.5**	60.2	**75.5**	60.2
Personal	**14,210.5**	12,252.6	**14,210.5**	12,252.6
Other Commercial and Industrial	**1,600.8**	2,238.1	**1,600.8**	2,238.1
Total Funding by Industry	**36,049.9**	31,083.1	**36,046.2**	31,077.2

Funding comprises Deposits, Due to Other Banks and Subordinated Debt.

	Concentration by Geographic Region			
Auckland	**13,581.7**	11,946.7	**13,581.6**	11,946.7
Rest of New Zealand	**5,869.6**	4,894.3	**5,869.6**	4,894.3
Overseas	**2,023.6**	1,921.6	**2,020.0**	1,921.6
Uncategorised Funding	**14,575.0**	12,320.5	**14,575.0**	12,314.6
Total Funding by Geographic Region	**36,049.9**	31,083.1	**36,046.2**	31,077.2

As at balance date Uncategorised Funding included Certificates of Deposit and Issued Paper, Due to Other Banks and Subordinated Debt. The nature of these liabilities makes them inappropriate to categorise geographically.

Notes to the Financial Statements

For the year ended 30 June 2005

$ millions	Consolidated Non-Accrual	Consolidated Restructured	Consolidated Total	Parent Non-Accrual	Parent Restructured	Parent Total
42 Asset Quality						
Impaired Assets (Pre-provisions)						
As at 30 June 2005						
Balance at Beginning of Year	**25.9**	**-**	**25.9**	**25.9**	**-**	**25.9**
Additions	**6.4**	**-**	**6.4**	**6.4**	**-**	**6.4**
Less: Amounts Written Off	**-**	**-**	**-**	**-**	**-**	**-**
Balance at End of Year	**32.3**	**-**	**32.3**	**32.3**	**-**	**32.3**
As at 30 June 2004						
Balance at Beginning of Year	31.8	-	31.8	30.4	-	30.4
Deletions	(5.2)	-	(5.2)	(4.0)	-	(4.0)
Less: Amounts Written Off	0.7	-	0.7	0.5	-	0.5
Balance at End of Year	25.9	-	25.9	25.9	-	25.9

Interest forgone is the amount of income that would have been recorded if interest accruals on specified loans had not been set to Nil. It has been estimated based on market rates. The 30 June 2005 figure is estimated at $0.3m (30 June 2004 $0.4m) for consolidated and $0.3m (30 June 2004 $0.4m) for parent.

The Bank does not have any material assets acquired through enforcement of security.

$ millions	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
Past Due Assets (Pre-provisions)				
Balance at Beginning of Year	**25.7**	27.0	**20.0**	20.9
Additions	**21.5**	6.3	**21.3**	6.7
Less: Amounts Written Off	**6.6**	7.6	**6.6**	7.6
Balance at End of Year	**40.6**	25.7	**34.7**	20.0
Other Assets Under Administration (Pre-provisions)				
Balance at Beginning of Year	**7.2**	6.7	**7.2**	6.7
(Deletions) / Additions	**(1.2)**	0.5	**(1.4)**	0.5
Less: Amounts Written Off	**-**	-	**-**	-
Balance at End of Year	**6.0**	7.2	**5.8**	7.2

Notes to the Financial Statements

For the year ended 30 June 2005

43 Securitisation, Funds Management, Other Fiduciary Activities and the Marketing and Distribution of Insurance Products

Securitisation, Funds Management and Other Fiduciary Activities

The Bank provides limited custodial services relating to holding interest bearing instruments on behalf of clients.

The Bank markets and distributes Funds Management products which are issued by ASB Group Investments Limited, a 100% owned subsidiary of ASB Group (Life) Limited. Funds Under Management distributed by the Bank totalled $1,821.8m as at 30 June 2005 (30 June 2004 $1,624.9m). The Bank provides banking services for trusts managed or administered by ASB Group Investments Limited. The Bank also sells financial assets to some of the trusts.

Insurance Business, Marketing and Distribution of Insurance Products

The Bank does not conduct any insurance business, however, general and life insurance products are marketed through the Bank's branch network. The life insurance products are underwritten by Sovereign Assurance Company Limited, a 100% owned subsidiary of ASB Group (Life) Limited.

Risk Management

The Bank has in place policies and procedures to ensure that the activities identified above are conducted in an appropriate manner. Should adverse conditions arise, it is considered that the Bank's policies and procedures will minimise the possibility that these conditions will adversely impact the Bank. The policies and procedures include comprehensive and prominent disclosure of information regarding products, and formal and regular review of operations and policies by management and auditors.

In addition, the following measures have been taken to manage any risk to the Bank of marketing and distributing insurance products:

- Investment statements, prospectuses and brochures for insurance products include disclosures that the Bank and its subsidiaries do not guarantee the insurer, nor the insurer's subsidiaries, nor any of the products issued by the insurer or the insurer's subsidiaries.
- Where the insurance products are subject to the Securities Act 1978, investment statements, prospectuses and brochures additionally include disclosures that:
  - the policies do not represent deposits or other liabilities of the Bank or its subsidiaries;
  - the policies are subject to investment risk, including possible loss of income and principal; and
  - the Bank and its subsidiaries do not guarantee the capital value or performance of the policies.
- Application forms for insurance products contain acknowledgements to be signed by a purchaser which are consistent with the disclosures for insurance products noted above.

In addition, the following measures have been taken to manage any risk to the Bank of marketing and distributing fund management products:

- Prospectuses, investment statements and brochures for funds management products include disclosures:
  - that the securities do not represent deposits or other liabilities of the Bank;
  - that the securities are subject to investment risk including possible loss of income and principal invested; and
  - that the Bank does not guarantee the capital value or performance of the securities.
- Application forms for funds management products contain acknowledgements to be signed by a purchaser which are consistent with the disclosures for funds management products noted above.

Provision of Financial Services

Financial services (including deposit-taking and foreign exchange services) provided by the Bank to entities which are involved in trust, custodial, funds management and other fiduciary activities, and to affiliated insurance companies which conduct marketing or distribution of insurance products, or on whose behalf the marketing or distribution of insurance products are conducted, are provided on arm's length terms and conditions and at fair value. Any assets purchased from such entities have been purchased on an arm's length basis and at fair value.

Notes to the Financial Statements

For the year ended 30 June 2005

44 Concentration of Credit Exposures to Individual Counterparties

Peak Credit Exposures for the Three Months ended 30 June

Percentage of Shareholder's Equity	Number of Non-Banks		Number of Banks	
	2005	2004	**2005**	2004
10 – 19	**2**	2	**3**	3
20 – 29	**-**	1	**5**	3
30 – 39	**-**	-	**-**	2
40 – 49	**-**	-	**-**	-
50 – 59	**-**	-	**-**	1
60 – 69	**-**	-	**-**	-
70 – 79	**-**	-	**-**	-
80 – 89	**-**	-	**-**	-
90 – 100	**-**	-	**-**	-

Balance Date Credit Exposures

Percentage of Shareholder's Equity	Number of Non-Banks		Number of Banks	
	2005	2004	**2005**	2004
10 – 19	**1**	2	**3**	3
20 – 29	**-**	1	**5**	3
30 – 39	**-**	-	**-**	2
40 – 49	**-**	-	**-**	-
50 – 59	**-**	-	**-**	1
60 – 69	**-**	-	**-**	-
70 – 79	**-**	-	**-**	-
80 – 89	**-**	-	**-**	-
90 – 100	**-**	-	**-**	-

Balance Date Credit Exposures

Percentage of Shareholder's Equity	Total Exposure to Non-Banks ($m)		Total Exposure to Banks ($m)	
	2005	2004	**2005**	2004
10 – 19	**300.0**	500.0	**1,000.0**	772.0
20 – 29	**-**	324.2	**2,610.0**	1,190.0
30 – 39	**-**	-	**-**	990.0
40 – 49	**-**	-	**-**	-
50 – 59	**-**	-	**-**	820.0
60 – 69	**-**	-	**-**	-
70 – 79	**-**	-	**-**	-
80 – 89	**-**	-	**-**	-
90 – 100	**-**	-	**-**	-

The basis of calculation is the greater of actual credit exposures or internal limits. Exposures are shown net of specific provisions and gross of set-offs. Percentages are calculated using the Banking Group's Shareholder's Equity as at balance date.

The above tables have been compiled using gross exposures and do not include any guarantee arrangements.

All of the individual counterparties included in the above tables have an Investment Grade rating (equivalent to BBB - or Baa3 or above).

Notes to the Financial Statements

For the year ended 30 June 2005

45 Credit Exposures to Connected Persons and Non-Bank Connected Persons

		Consolidated			
		Peak Exposure for the Three Months ended 30 June		Balance Date Exposure	
		$ millions	Percentage of Tier One Capital	$ millions	Percentage of Tier One Capital
2005	**All Connected Persons***	**577.7**	**25.6%**	**380.4**	**16.9%**
	Non-Bank Connected Persons	**82.2**	**3.6%**	**59.0**	**2.6%**
2004	All Connected Persons*	507.1	32.1%	428.2	27.1%
	Non-Bank Connected Persons	106.0	6.7%	50.3	3.2%

*Credit Exposures to Connected Persons included exposures to the Bank's ultimate parent bank, Commonwealth Bank of Australia. As at 30 June 2005, this amount was $321.4m (30 June 2004 $377.9m).

The basis for calculation is actual credit exposures. Exposures are all of a non-capital nature and shown net of specific provisions and gross of set-offs. Percentages are calculated using the Banking Group's Tier One Capital as at balance date.

The Banking Group has a contingent exposure to its ultimate parent, Commonwealth Bank of Australia, arising from risk lay-off arrangements in respect of credit exposures to counterparties. As at 30 June 2005, this amounted to $30.0m (30 June 2004 $30.0m).

The Banking Group has no Specific Provisions provided against credit exposures to connected persons.

As at 30 June 2005, the Banking Group's rating-contingent limit was 70% of Tier One Capital. The rating-contingent limit has not changed during the quarter. Within the overall rating-contingent limit, there is a sub-limit of 15% of Tier One Capital which applies to aggregate credit exposures to non-bank connected persons. The rating-contingent limit on lending to connected persons as set out in the Bank's Conditions of Registration has been complied with at all times during the quarter.

Notes to the Financial Statements

For the year ended 30 June 2005

$ millions	Consolidated Notional Amount	Consolidated Credit Equivalent	Consolidated Fair Value	Parent Notional Amount	Parent Credit Equivalent	Parent Fair Value
46 Derivative Financial Instruments						
As at 30 June 2005						
Foreign Exchange Rate Related Contracts						
Trading	**5,319.8**	**122.2**	**59.2**	**4,919.8**	**102.2**	**29.5**
Other than Trading	**10,457.2**	**337.7**	**(143.8)**	**9,363.8**	**249.0**	**(143.8)**
Total Foreign Exchange Rate Related Contracts	**15,777.0**	**459.9**	**(84.6)**	**14,283.6**	**351.2**	**(114.3)**
Interest Rate Related Contracts						
Trading	**10,671.8**	**25.3**	**(12.9)**	**10,671.8**	**25.3**	**(12.9)**
Other than Trading	**22,116.2**	**141.1**	**(47.5)**	**21,899.1**	**140.0**	**(48.3)**
Total Interest Rate Related Contracts	**32,788.0**	**166.4**	**(60.4)**	**32,570.9**	**165.3**	**(61.2)**
Equity Related Contracts						
Trading	-	-	-	-	-	-
Other than Trading	**63.5**	**3.0**	**1.1**	**63.5**	**3.0**	**1.1**
Total Equity Related Contracts	**63.5**	**3.0**	**1.1**	**63.5**	**3.0**	**1.1**
Credit Related Contracts						
Trading	-	-	-	-	-	-
Other than Trading	**114.1**	-	-	**114.1**	-	-
Total Credit Related Contracts	**114.1**	-	-	**114.1**	-	-
As at 30 June 2004						
Foreign Exchange Rate Related Contracts						
Trading	1,726.6	38.0	(17.3)	1,326.6	18.0	(12.8)
Other than Trading	8,673.3	221.1	20.8	7,571.9	166.0	20.8
Total Foreign Exchange Rate Related Contracts	10,399.9	259.1	3.5	8,898.5	184.0	8.0
Interest Rate Related Contracts						
Trading	12,052.4	18.9	(0.8)	12,052.4	18.9	(0.8)
Other than Trading	16,559.7	91.6	2.5	16,611.3	90.5	0.9
Total Interest Rate Related Contracts	28,612.1	110.5	1.7	28,663.7	109.4	0.1
Equity Related Contracts						
Trading	-	-	-	-	-	-
Other than Trading	54.7	1.6	(2.7)	54.7	1.6	(2.7)
Total Equity Related Contracts	54.7	1.6	(2.7)	54.7	1.6	(2.7)

Foreign Exchange Rate Related Contracts Other than Trading have been transacted by the Bank to hedge foreign currency funding. Losses on contracts are offset by gains on the underlying foreign currency funding.

Interest Rate Related Contracts Other than Trading hedge interest rate risk associated with the Bank's Statement of Financial Position. The unrecognised gain on these contracts as at 30 June 2005 was $55.8m for consolidated and $55.0m for parent (30 June 2004 $81.2m for consolidated, $79.5m for parent) calculated as the fair value loss of $47.5m for consolidated and $48.3m for parent (30 June 2004 $2.5m gain for consolidated, $0.9m for parent) less the net payable recognised in the Statement of Financial Position of $103.3m for both consolidated and parent (30 June 2004 $78.7m consolidated, $78.6m parent).

Equity Related Contracts Other than Trading have been transacted by the Bank to hedge the equity risk associated with shares held in listed companies. Gains on contracts are offset by losses on the underlying shares.

The Bank has entered into credit default swaps to hedge the credit risk associated with certain Advances. The fair value of the credit default swaps is immaterial.

Notes to the Financial Statements

For the year ended 30 June 2005

47 Risk Management Policies

Introduction

The Bank is committed to the management of risk to achieve sustainability of service, employment and surpluses, and therefore, takes on controlled amounts of risk when considered appropriate. The risk management framework identifies, assesses, manages and reports risk and risk adjusted returns using an economic equity framework. This is targeted at ensuring the Bank has sufficient capital to maintain a credit rating of AA- or equivalent.

The primary risks are those of credit, market (liquidity, funding, interest rate, foreign exchange) and operational risk.

The Bank's risk management strategy is set by the Board of Directors through the Board Risk Committee. All of the Directors are members of the Board Risk Committee, which is chaired by the Chairman of the Board. Implementation of risk management strategy is the responsibility of the Managing Director. During the reporting period, a Head of Group Risk was appointed with day-to-day responsibility for the management of risk across the Bank. Management of credit risk is the function of the Executive Credit Committee. Other risks are managed by a number of tactical committees.

The Bank has management structures and information systems to manage individual risks, has separated risk initiation and monitoring tasks where feasible, and subjects all material systems to regular internal audit. Periodic reviews of all risk management systems are undertaken by internal audit and, in respect of market risk, by the Bank's ultimate parent bank, the Commonwealth Bank of Australia.

The Bank's external auditors, Ernst & Young, may also review parts of the Bank's risk management framework that impact on significant aspects of the financial systems, but only to the extent necessary to form their review on the Bank's six monthly results or audit opinion on the Bank's annual results.

The following sections describe the risk management framework components.

Credit Risk

Credit risk is the potential risk for loss arising from failure of a debtor or counterparty to meet their contractual obligations.

Credit risk principally arises within the Bank from its core business in providing lending facilities. Credit risk also arises from the Bank assuming contingent liabilities, taking equity participations, participating in financial market transactions and assuming underwriting commitments. The Bank is selective in targeting credit risk exposures and avoids exposures to any high risk area.

The Bank has a comprehensive, clearly defined credit policy for the approval and management of all credit risk, including risk to other bank and related counterparties. Both intra-day and term credit risk are managed in an integrated fashion.

Lending standards and criteria are clearly defined into different business sectors for all Bank products. The Bank relies primarily on the integrity of the debtor or counterparty and their ability to meet the obligations to the Bank.

Industry and product concentrations are managed within established guidelines and limits. Maximum aggregated exposure limits also apply for any debtor or counterparty. Credit risk is strongly monitored and reviewed, with regular independent internal inspections being undertaken to test the quality of the credit exposures, compliance with policy and the effectiveness of management control. Non-compliance with credit policy is reported to the Board of Directors through the Board Risk Committee.

Allowance for expected credit loss in the banking business commences when an exposure first arises. The expected loss is re-assessed on a regular basis and provisioning is adjusted accordingly.

Market Risk

Market risk is the potential for change in the value of on and off balance sheet positions caused by a change in the value, volatility or relationship between market rates and prices.

Market risk arises from the mismatch between assets and liabilities, both on and off balance sheet, and from controlled trading undertaken in pursuit of profit. The Bank is exposed to diverse financial instruments including interest rates, foreign currencies, equities and commodities and transacts in both physical and derivative instruments.

The Board sets limits on the value of market risk from market price movements that may be accepted. Specific limits are set for Treasury and Financial Markets trading activities and for the Bank's balance sheet management.

Treasury and Financial Markets trading risk is monitored daily using historical market price change Value at Risk ("VaR") measures, set at a 97.5% confidence level and one day holding period. Actual outcomes are monitored against expected outcomes to ensure the validity of assumptions used in the VaR modelling. Losses may exceed this measure in the event of more significant market movements.

Bank balance sheet risk is measured using a market value sensitivity measure similar to VaR and by modelling the change in net interest income from a 1% change in interest rates. These measures are calculated on a monthly basis. Bank balance sheet risk is managed on a daily basis using interest rate gapping techniques.

The Bank carries out regular stress testing of its market risk exposures.

Notes to the Financial Statements

For the year ended 30 June 2005

47 Risk Management Policies (continued)

Market risk includes liquidity, funding, interest rate and foreign exchange risk which are explained as follows:

Liquidity Risk

Management of liquidity risk is designed to ensure that the Bank has the ability to meet financial obligations as they fall due.

The objectives of the Bank's funding and liquidity policies are to:
- ensure all financial obligations are met when due;
- provide adequate protection, even under crisis scenarios, at lowest cost; and
- achieve sustainable, lowest-cost funding within the limitations of funding diversification requirements.

The Bank monitors this risk primarily by forecasting future daily cash requirements. The Bank manages this risk by holding a pool of readily tradable investment assets and deposits on call or maturing within seven days with high credit quality counterparties to provide for any unexpected patterns in cash movements and by seeking a diverse and stable funding base.

Limits are set to ensure that holding of liquid assets do not fall below prudent levels. Limits are also set on the level of interbank and offshore funding as well as the amount of wholesale funding that may mature in any period.

Funding Risk

Funding risk is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds. The Bank has a policy of funding diversification. The funding policy augments the Bank's liquidity policy with its aim to assure the Bank has a stable diversified funding base without over-reliance on any one market sector.

Interest Rate Risk

Interest rate risk is the potential for a change in interest rates to have an adverse effect on the net interest earnings, in the current reporting period and in future years. Interest rate risk arises from the structure and characteristics of the Bank's assets, liabilities and equity, and in the mismatch in repricing dates of its assets and liabilities.

The Bank reduces interest rate risk by seeking to match the repricing of assets and liabilities. This is achieved by changing the mix of assets and liabilities through marketing and pricing initiatives, by buying and selling long term securities and through the use of derivatives such as interest rate swaps and forward rate agreements. In managing this risk, the Bank seeks to achieve a balance between reducing risk to earnings and market value from adverse interest rate movements, and enhancing net interest income through correct anticipation of the direction and extent of interest rate changes.

Overall strategic direction is provided by the Asset and Liability Management Committee ("ALCO") which meets monthly. On a day-to-day basis, interest rate risk is monitored and managed within the Bank's Treasury Department.

For market sensitive risk, daily reports of positions and potential loss amounts are produced based on past interest rate volatility to ensure the maximum loss from an adverse movement in interest rates is known to agreed statistical confidence levels.

Risk associated with non-market sensitive assets and liabilities, while also monitored daily, is primarily managed by way of weekly reviews by the Bank's Treasury Department and monthly reviews by ALCO. Gap analysis and gap limits provide the day-to-day management tool while regular simulation of Bank activity, analysis of market value and stress tests provide the key management information and limits.

Future net interest earnings are regularly estimated employing existing interest rates, rates 1% above and below current levels and rates based on historical rate analysis. The Bank manages the known and assumed repricing characteristics of its assets and liabilities as well as future commitments to put the Bank in a position to benefit from anticipated interest rate movements and to limit the risk of adverse interest rate movements.

Two major limits are imposed. The sensitivity to interest rate changes must be such that expected net interest earnings under different interest rate scenarios remain within a set percentage of the central forecast and, similarly, market value remains within a set percentage of capital. These limits are set by the Board of Directors and monitored by ALCO.

Repricing mismatches, the simulation results and a stress test on the market value of the Bank's assets and liabilities, including derivatives, are reported monthly by management to ALCO and the Board Risk Committee, along with associated limits.

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates.

Foreign exchange mismatches can arise from the day-to-day purchase and sale of foreign currency, from trading positions taken, from deposit and lending activity in foreign currencies and from offshore funding by the Bank.

The Bank monitors and manages this risk through its Treasury Department. Mismatches, and the contingent risk associated with any mismatch are reported daily. Limits, both intra-day and overnight, are set on the basis of past exchange rate volatility to ensure the maximum exposure to losses from an adverse movement in exchange rates is known to agreed statistical confidence levels.

Notes to the Financial Statements

For the year ended 30 June 2005

47 Risk Management Policies (continued)

Adherence to limits is monitored by an independent department within the Bank.

Equity Risk

Equity risk results from the repricing of equity investments held by the Bank. This is not a material risk to the Bank. A formal equity risk policy approved by the Board Risk Committee is in place. Under this policy, trading in equities is not permitted.

Operational and Strategic Business Risk

The Bank's operational and strategic business risk management framework supports the achievement of the Bank's financial and business goals.

Operational risk is defined as the risk of economic gain or loss resulting from:
– inadequate or failed internal processes and methodologies;
– people;
– systems; or
– external events.

Strategic business risk is defined as the risk of economic gain or loss resulting from changes in the business environment caused by the following factors:
– economic;
– competitive;
– social trends; or
– regulatory.

A formal reporting structure and policy approved by the Board of Directors for the management of operational risk is in place. Under this policy, processes and practices for the identification, monitoring, measurement and day-to-day management of operational risks have been established.

Accordingly, heads of all business units and specialist support functions have clearly defined roles and responsibilities to ensure that the operational risks inherent in all business activities have been identified, measured and recorded.

A formal programme is in place for reporting back to the Board Risk Committee on the measurement and management of operational risk within the Banking Group.

Derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. The Bank enters into derivative transactions including swaps, forward rate agreements, futures, options and combinations of these instruments. The sale of derivatives to customers as risk management products and their use for trading purposes is integral to the Bank's financial markets activities. Derivatives are also used to manage the Bank's own exposure to market risk.

Business Continuity Management

Business Continuity Management ("BCM") within the Bank involves the development, maintenance and testing of action plans to respond to defined risk events. This ensures that business processes continue with minimal adverse impact on customers, staff, products, services and brands.

BCM constitutes an essential component of the Bank's risk management process by providing a controlled response to potential operational risks that could have a significant impact on the Bank's critical processes and revenue streams. It includes both cost-effective responses to mitigate the impact of risk events or disasters and crisis management plans to respond to crisis events.

Internal Audit

The Bank maintains an independent Internal Audit function which is ultimately accountable to the Board of Directors through the Managing Director and the Board Audit Committee.

Internal Audit provides an independent assurance and consulting service designed to assist the Bank in achieving its objectives by bringing a systematic and disciplined approach to improving the effectiveness of risk management systems, the framework of controls, and governance processes. Operational, compliance, financial and systems audits of all areas of the Bank's operations are reviewed based on an assessment of risk.

The Board Audit Committee meets on a regular basis to consider the Bank's financial reporting, internal control and corporate governance issues. It reviews the interim and annual financial statements, the activities of the internal and external auditors and monitors the relationship between management and the external auditors.

Additional Disclosures

To be read in conjunction with the Financial Statements

30 June 2005

Details of Incorporation

The Bank is a company incorporated under the Companies Act 1955 on 16 August 1988 and is registered under AK398445. The registered office of ASB Bank Limited is Level 28, ASB BANK Centre, 135 Albert Street, Auckland. The Bank was re-registered under the Companies Act 1993 on 30 June 1995.

Ultimate Parent Bank

The ultimate parent bank of ASB Bank Limited is Commonwealth Bank of Australia ("CBA"), its registered office being Level 7, 48 Martin Place, Sydney, NSW, Australia.

CBA is required by the Australian Prudential Regulation Authority ("APRA") to meet minimum Total Capital Adequacy requirements of 8.0% of Risk Weighted Assets and minimum Tier One Capital requirements of 4.0% of Risk Weighted Assets, in compliance with the Basle framework. As at 30 June 2005, CBA exceeded APRA minimum requirements with Tier One Capital being 7.46% of Risk Weighted Assets and Total Capital being 9.75% of Risk Weighted Assets.

Persons Having a Significant Interest in a Registered Bank

The Bank's immediate parent, ASB Group (Holdings) Limited holds 100% of the voting shares of the Bank and has the power of appointment of directors. The ultimate holding company in New Zealand, ASB Holdings Limited and the ultimate parent bank Commonwealth Bank of Australia ("CBA") have indirect power to appoint directors.

Guarantee Arrangements

The material obligations of the Bank are not guaranteed.

Legally Enforceable Restrictions that may Materially Inhibit Commonwealth Bank of Australia's Legal Ability to Provide Material Financial Support to ASB Bank Limited

The Commonwealth Bank of Australia does not guarantee the obligations of ASB Bank Limited or its subsidiaries.

Under the Banking Act 1959 (Australia), the Australian Prudential Regulation Authority ("APRA") may prescribe prudential requirements by regulation, requiring the Commonwealth Bank of Australia to observe such requirements. These prudential requirements may affect the ability of the Commonwealth Bank of Australia to provide material financial support to ASB Bank Limited or its subsidiaries.

Under Section 13A(3) of the Banking Act 1959 (Australia), if an Authorised Deposit-taking Institution ("ADI") (which includes a bank) becomes unable to meet its obligations or suspends payment, the assets of the ADI in Australia are to be available to meet the ADI's deposit liabilities in Australia in priority to all other liabilities of the ADI.

Dealings with Directors

Directors' details are contained in the Directory.

There have been no changes to the Directors since the previous General Disclosure Statement (31 March 2005).

There have been no dealings with Directors or parties related to the Directors on terms other than in the ordinary course of business. Refer to Note 32 for outstanding balances with Directors.

All Directors are required to table all possible conflicts of interest at the Board of Directors' meetings and are required to abstain from any vote on those proceedings. The Bank complies with all requirements of the Companies Act 1993 in terms of registers and notices for Directors' conflicts of interest.

Communications addressed to the Directors should be sent to:
Level 28
ASB BANK Centre
135 Albert Street
Auckland
New Zealand

> Additional Disclosures

To be read in conjunction with the Financial Statements

Conditions of Registration as from 30 March 2005 – ASB Bank Limited

The registration of ASB Bank Limited ("the Bank") as a registered bank is subject to the following conditions:

1. That the Banking Group complies with the following requirements:

   – Capital of the Banking Group is not less than 8% of risk weighted exposures.

   – Tier One Capital of the Banking Group is not less than 4% of risk weighted exposures.

   – Capital of the Banking Group is not less than NZ$15m.

   For the purposes of this Condition of Registration, Capital, Tier One Capital and risk weighted exposures shall be calculated in accordance with the Reserve Bank of New Zealand document entitled "Capital Adequacy Framework" (BS2) dated March 2005.

2. That the Banking Group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.

3. That the Banking Group's insurance business is not greater than 1% of its total consolidated assets. For the purposes of this condition:

   (i) Insurance business means any business of the nature referred to in Section 4 of the Insurance Companies (Ratings and Inspections) Act 1994 (including those to which the Act is disapplied by Sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in Section 3(1) of the Life Insurance Act 1908;

   (ii) In measuring the size of the Banking Group's insurance business:

   (a) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:

   – the total consolidated assets of the group headed by that entity;

   – or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;

   (b) otherwise, the size of each insurance business conducted by any entity within the Banking Group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;

   (c) the amounts measured in relation to parts (a) and (b) shall be summed and compared to the total consolidated assets of the Banking Group. All amounts in parts (a) and (b) shall relate to on balance sheet items only, and shall be determined in accordance with Generally Accepted Accounting Practice, as defined in the Financial Reporting Act 1993;

   (d) where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.

4. That aggregate credit exposures (of a non-capital nature and net of specific provisions) of the Banking Group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

Credit Rating	**Connected Exposure Limit (percentage of the Banking Group's Tier One Capital)**
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

   Within the rating-contingent limit, credit exposures (of a non-capital nature and net of specific provisions) to non-bank connected persons shall not exceed 15% of the Banking Group's Tier One Capital.

   For the purposes of this Condition of Registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled "Connected Exposure Policy" (BS8) dated March 2005.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the Board of the registered bank contains at least two independent Directors. In this context an independent Director is a Director who is not an employee of the registered bank, and who is not a director, trustee or employee of any holding company of the Registered Bank other than ASB Group (Holdings) Limited, or any other entity capable of controlling or significantly influencing the Registered Bank.

7. That the chairperson of the Bank's Board of Directors is not an employee of the Registered Bank.

Additional Disclosures

To be read in conjunction with the Financial Statements

Conditions of Registration as from 30 March 2005 – ASB Bank Limited (continued)

The registration of ASB Bank Limited ("the Bank") as a registered bank is subject to the following conditions:

8. That the Bank's constitution does not include any provision permitting a Director, when exercising powers or performing duties as a Director, to act other than in what he or she believes is the best interests of the company (i.e. the Bank).

9. That no appointment of any Director, Chief Executive Officer, or Executive who reports or is accountable directly to the Chief Executive Officer, shall be made in respect of the Bank unless:
   (i) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   (ii) the Reserve Bank has advised that it has no objection to that appointment.

10. That a substantial proportion of the Bank's business is conducted in and from New Zealand.

    For the purposes of these Conditions of Registration, the term "Banking Group" means ASB Bank Limited's financial reporting group (as defined in Section 2(1) of the Financial Reporting Act 1993).

Credit Rating

As at the date of the signing of this General Disclosure Statement, the following ratings were assigned to the Bank's long term New Zealand Dollar debt:

Rating Agency	Current Long Term Rating
Moody's Investors Service, Inc ("Moody's")	Aa3
Standard & Poor's (Australia) Pty Limited ("S&P")	AA–

Over the proceeding two years there have been no changes to credit ratings.

Long Term Debt Ratings	Moody's [a]	S&P [b]
Highest quality / Extremely strong capacity to pay interest and principal	Aaa	AAA
High quality / Very strong	Aa	AA
Upper medium grade / Strong	A	A
Medium grade (lowest investment grade) / Adequate	Baa	BBB
Predominantly speculative / Less near term vulnerability to default	Ba	BB
Speculative, low grade / Greater vulnerability	B	B
Poor to default / Identifiable vulnerability	Caa	CCC
Highest speculations	Ca	CC
Lowest quality, no interest	C	C
In payment default, in arrears – questionable value	–	D

(a) Moody's applies numeric modifiers to each generic rating category from Aa to B, indicating that the counterparty is (1) in the higher end of its letter-rating category, (2) in mid-range, (3) in lower end.

(b) S&P apply plus (+) or minus (–) signs to ratings from 'AA' to 'CCC' to indicate relative standing within the major rating categories.

Market Risk Exposures

The Market Risk Methodology is intended to attribute a dollar value amount to the market risk a registered bank is exposed to, based on the structure of its Balance Sheet positions, using the process prescribed by the Reserve Bank of New Zealand.

The Market Risk Exposures have been prepared on the basis of actual exposures.

	Consolidated			
	2005		2004	
$ millions	**Peak Exposure for Three Months ended 30 June**	**Exposure as at 30 June**	Peak Exposure for Three Months ended 30 June	Exposure as at 30 June
Aggregate Interest Rate Exposure	**47.8**	**45.9**	42.0	39.8
(as percentage of Balance Date Equity)	**2.1%**	**2.0%**	2.6%	2.5%
Aggregate Foreign Currency Exposure	**2.5**	**1.1**	1.5	1.0
(as percentage of Balance Date Equity)	**0.1%**	**-**	0.1%	0.1%
Aggregate Equity Exposure	**-**	**-**	-	-
(as percentage of Balance Date Equity)	**-**	**-**	-	-

> Directors' Statement

After due enquiry by the Directors it is each Director's opinion that for the year ended 30 June 2005:

- the Bank complied with the Conditions of Registration imposed by the Reserve Bank of New Zealand under Section 74 of the Reserve Bank of New Zealand Act 1989;
- credit exposures to connected persons were not contrary to the interests of the Banking Group; and
- the Bank had systems in place to adequately monitor and control the Banking Group's credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other material business risks and that those systems are being properly applied.

After due enquiry by the Directors it is each Director's opinion that as at the date of this disclosure statement:

- the disclosure statement contains all the information required by the Registered Bank Disclosure Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 2005; and
- the disclosure statement is not false or misleading.

The disclosure statement is signed by or on behalf of all the Directors.

G.J. Judd

J.M.R. Syme

G.H. Burrett

R. Boven

L.G. Cupper

S.I. Grimshaw

J.P. Hartley

G.L. Mackrell

2 August 2005

Auditor's Report

Auditor's Report to the Shareholder of ASB Bank Limited

We have audited the financial statements and the financial information in the supplementary information on pages 8 to 47 and 50. The financial statements and supplementary information provide information about the past financial performance of ASB Bank Limited (the "Registered Bank") and its subsidiaries (the "Banking Group") and their financial position as at 30 June 2005. The supplementary information is disclosed in accordance with clauses 12(3) and 12(4) of the Registered Bank Disclosure Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 2005 ("the Order"). This information is stated in accordance with the accounting policies set out on pages 12 to 17.

Director's Responsibilities

The directors are responsible for the preparation of:

> financial statements in accordance with clause 12(1) of the Order which give a true and fair view of the financial position of the Registered Bank and Banking Group as at 30 June 2005 and of their financial performance and cash flows for the year ended on that date;

> supplementary information in accordance with clause 12(3) of the Order which gives a true and fair view of the matters to which it relates; and

> supplementary information in accordance with clause 12(4) of the Order which complies with Schedules 7 and 8 of the Order.

Auditor's Responsibilities

In accordance with clause 15(1) of the Order, it is our responsibility to express an independent opinion on the financial statements and supplementary information presented by the directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements and supplementary information. It also includes assessing:

> the significant estimates and judgements made by the directors in the preparation of the financial statements and supplementary information; and

> whether the accounting policies are appropriate to the circumstances of the Registered Bank and Banking Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and supplementary information are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and supplementary information.

We provide other audit related services to the Banking Group. We have no other interest in the Registered Bank or Banking Group.

Unqualified Opinion

We have obtained all the information and explanations we have required:

In our opinion:

> proper accounting records have been kept by the Registered Bank and Banking Groups as far as appears from our examination of those records; and

- the financial statements on pages 8 to 47:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the financial position of the Registered Bank and Banking Group as at 30 June 2005 and their financial performance and cash flows for the year ended on that date.
- the supplementary information included within the financial statements on pages 8 to 47 and 50 and has been prepared in accordance with:
  - the guidelines issued pursuant to section 78(3) of the Reserve Bank of New Zealand Act 1989 and any Conditions of Registration; and
  - the books and records of the Registered Bank and Banking Group.
- the supplementary information included within the financial statements on pages 8 to 47 and 50 and disclosed in accordance with clause 12(3) of the Order gives a true and fair view of the matters to which it relates; and
- the supplementary information included within the financial statements on pages 8 to 47 and 50 and disclosed in accordance with clause 12(4) of the Order complies with Schedules 7 and 8 of the order.

Our audit was completed on 2 August 2005 and our unqualified opinion is expressed as at that date.

Ernst + Young

Auckland

Directory

Independent Directors

Name	**G.J. (Gary) Judd Q.C., LL.B (Hons), F.Inst.D. (Chairman)**
Primary Occupation	BARRISTER
Residence	Auckland, New Zealand
External Directorships	ASB Group (Life) Limited (Chairman)

Name	**J.M.R. (Jim) Syme B.Com., F.A.C.A., C.M.A. (Deputy Chairman)**
Primary Occupation	COMPANY DIRECTOR
Residence	Auckland, New Zealand
External Directorships	Abano Healthcare Group Limited (Chairman) ASB Group (Life) Limited Auckland Quayside Limited Earnslaw Holdings Limited Kiwi Income Properties Limited Software of Excellence International Limited (Chairman) Waste Management NZ Limited Group (Chairman)

Name	**R. (Rick) Boven B.A. (Hons), M.A., M.B.A., Ph.D. (Auckland)**
Primary Occupation	COMPANY DIRECTOR
Residence	Auckland, New Zealand
External Directorships	ASB Group (Life) Limited Pacific Services Limited

Name	**J.P. (Jon) Hartley B.A. (Hons), F.C.A., A.C.A., F.A.I.C.D.**
Primary Occupation	COMPANY DIRECTOR
Residence	Wellington, New Zealand
External Directorships	ASB Group (Life) Limited Trango Capital Limited VisionFund Cambodia Limited

Shareholder Representatives

Name	**L.G. (Les) Cupper B.Econ. (Hons), M.Econ., Dip.Ed.**
Primary Occupation	BANK EXECUTIVE
Residence	Sydney, Australia
External Directorships	ASB Group (Life) Limited CommFoundation Pty Limited Commonwealth Bank of Australia (UK) – Staff Benefit Scheme Commonwealth Investments Pty Limited Hazelwood Investment Company Pty Limited HIC Finance Pty Limited Officers' Superannuation Fund Board

Name	**S.I. (Stuart) Grimshaw B.C.A., M.B.A., P.M.D.**
Primary Occupation	BANK EXECUTIVE
Residence	Sydney, Australia
External Directorships	ASB Group (Life) Limited Colonial Finance Australia Limited Colonial Finance Limited Colonial First State Group Limited Colonial Holding Company (No 2) Pty Limited Colonial Holdings Company Limited Colonial International Holdings Pty Limited Colonial Limited Colonial Protection Insurance Pty Limited Commonwealth Insurance Holdings Limited Commonwealth International Holdings Pty Limited Commonwealth Investments Pty Limited Commonwealth Life Limited Commonwealth Managed Investments Limited The Colonial Mutual Life Assurance Society Limited

Name	**G.L. (Garry) Mackrell B.Sc., B.Econ. (Hons), M.Com.**
Primary Occupation	BANK EXECUTIVE
Residence	Sydney, Australia
External Directorships	ASB Group (Life) Limited ASB Group (Holdings) Limited ASB Group Limited ASB Holdings Limited China Life CMG Life Assurance Company Limited CMG Asia Limited CMG Asia Trustee Company Limited Colonial International Holdings Pty Limited Commonwealth Capital Corporation Limited Commonwealth Capital Limited Commonwealth Financial Limited Commonwealth Group Pty Limited Commonwealth Insurance Holdings Limited First State Investments (Bermuda) Limited First State Investments Managers (Asia) Limited Macquarie Securitisation Shanghai Co. Ltd PT Astra CMG Life Limited The Colonial Mutual Life Assurance Society Limited

Executive Directors

Name	**G.H. (Hugh) Burrett (Managing Director)**
Primary Occupation	BANK EXECUTIVE
Residence	Auckland, New Zealand
External Directorships	ASB Group (Life) Limited ASB Group (Holdings) Limited ASB Group Investments Limited ASB Group Limited ASB Holdings Limited Bucco Enterprises Limited Jacques Martin New Zealand Limited Sovereign Group Limited Sovereign Limited

Audit Committee

J.M.R. (Jim) Syme **(Chairman)**
R. (Rick) Boven
J.P. (Jon) Hartley
S.I. (Stuart) Grimshaw

Executive Management

G.H. (Hugh) Burrett
Managing Director and Chief Executive Officer

J.S. (John) Barclay
Head of Group Human Resources

J.W. (John) Duncan
Head of Group Finance

K.D. (Kerry) Francis
Head of Treasury and Financial Markets

P.S. (Peter) Hall
Head of Group Risk

R.M. (Ross) McEwan
Head of Retail Banking and Marketing

J.S.N. (James) Mitchell
Head of Relationship Banking and Financial Services

C.G. (Clayton) Wakefield
Head of Technology, Operations and Cards

L.A. (Linley) Wood
Head of Corporate Affairs

Auditor

Ernst & Young
Chartered Accountants
41 Shortland Street
Auckland
New Zealand

Ultimate Shareholder

(Ordinary Shares)

Commonwealth Bank of Australia
48 Martin Place
Sydney, NSW
Australia

Registered Office

Level 28
ASB BANK Centre
135 Albert Street
Auckland
New Zealand

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Notes

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Notes

ASB Bank Limited 6031 1302 0805

CONTACT CENTRE
0800 803 804
24 HOURS . 7 DAYS A WEEK